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COMMITTEE OF INQUIRY

into the

UNEMPLOYMENT INSURANCE ACT

NOVEMBER
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NOVEMBER 1962

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To His Excellency the Governor General in Council

MAY IT PLEASE YOUR EXCELLENCY,

We, the Commissioners appointed under the terms of an Order in Council dated July 17, 1961, to inquire into and report upon the basic principles and provisions of the Unemployment Insurance Act and the Regulations thereunder and the manner of operating thereunder,

BEG TO SUBMIT TO YOUR EXCELLENCY THE FOLLOWING REPORT.

65799-9—1½

THE COMMITTEE OF INQUIRY

COMMISSIONERS	Ernest C. Gill (Chairman)
	Étienne Crevier
	John J. Deutsch
	J. Richards Petrie
SECRETARY AND DIRECTOR OF RESEARCH	Richard Humphrys, F.S.A.
COUNSEL	Thomas R. Walsh, Q.C.

PREFACE

By Order in Council P.C. 1961-1040, July 17, 1961, we were appointed Commissioners under the Inquiries Act to inquire into the Unemployment Insurance Act and operations thereunder. Our terms of reference were specified by the Order in Council, a complete text of which is shown in Appendix I. Early in August 1961, the organizational meeting was held and the designation "Committee of Inquiry into the Unemployment Insurance Act" was adopted.

Mr. Richard Humphrys, F.S.A., was appointed Secretary and Director of Research and Mr. T. R. Walsh, Q.C., was appointed Counsel to the Committee.

On August 31, 1961, a notice was published in daily newspapers across Canada inviting organizations, associations and individuals to submit information, proposals and opinions relating to the work of the Committee. We received many formal briefs and a considerable number of less formal recommendations and expressions of opinion. All received our full consideration. In November and December 1961, public sittings were held in Ottawa to receive the submissions of those who had expressed a desire to be heard.

We wish to express our sincere appreciation to all those who aided us in our work by submissions of views on the problems referred to us. We acknowledge with gratitude that we received the utmost co-operation and assistance from the Unemployment Insurance Commission and its staff. We similarly acknowledge the help received from others inside the Government Service and outside having special knowledge of the matters referred to us for consideration.

We are particularly indebted to Mr. Richard Humphrys and Mr. T. R. Walsh for their indefatigable efforts in conducting the basic research and in the preparation of drafts of the Report resulting from that research. Their broad experience in the field of unemployment insurance proved invaluable.

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CHAPTER ONE

INTRODUCTION AND SUMMARY OF RECOMMENDATIONS

I. INTRODUCTION

1. Twenty-one years have passed since the Unemployment Insurance Act came into effect. Over that period, many important changes have been made in the Act and the Regulations, nearly all in the direction of broadening the coverage, extending the benefit payments and reducing the qualification requirements. The balance in the Unemployment Insurance Fund rose almost steadily, year by year, from the time the plan was started to a peak of $927 million at December 31, 1956; since then, it has declined steeply to a low of $20 million at May 31, 1962. This period of twenty-one years has been a period of profound change in the economic climate. The high levels of employment and rapid economic growth that followed the termination of the war have in more recent years given way to a period in which unemployment has become a serious problem and the rate of economic growth has become slower.

2. It is apparent that the many changes that have been effected in the plan over its history have led to a gradual dissipation of the sound actuarial basis on which the original plan was founded. This, together with the change in the economic climate, has resulted in the virtual bankruptcy of the Fund. The acute financial difficulties have arisen largely because of these underlying circumstances but these difficulties have been accentuated in some degree by a growing number and variety of abuses and misuses.

3. Many examples of abuses were placed before us in submissions and in testimony at our public hearings in 1961. Some of these abuses constitute fraud, but, in a formal sense, most are legal under the

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existing system, though morally questionable and socially undesirable. It is common knowledge that some employers and employees "work the fund" and that benefits are drawn by persons who should not be entitled to them either in terms of need or eligibility under a proper insurance system. The abuses and misuses have not been subjected to as close a check by administrative authorities as might have been made and, probably as a result of the departure from a true insurance scheme, there has been a tendency towards less strict determination of entitlement to benefit and less strict application of conditions to be fulfilled for the continuation of benefit.

4. The problems associated with breaches in the letter and spirit of the Act have been aggravated by developments in certain public attitudes that have become more prominent in recent years. These attitudes have been influenced unquestionably by the changes that have been made in the Act and its use for purposes inconsistent with the proper operation of an unemployment insurance plan. The distorted views regarding the purposes of an unemployment insurance plan have compounded abuses, and many individuals have come to consider it a vested right to recover their contributions, in whole or in part, regardless of the true intent of the system.

5. Our studies have shown that the system of unemployment insurance in Canada as it now operates will not and cannot meet the problems and requirements of either today or tomorrow. We are living in an era of extraordinarily rapid change. Revolutionary advances in technology, new conditions of foreign trade and a continued marked expansion of the labour force will have far-reaching effects on the operation of the economy and on the occupational structure of the population. In these circumstances it is obvious that there is an urgent need to re-examine the procedures of the past and to devise new approaches commensurate with the realities of the future.

6. In developing our recommendations we have sought to devise a program of support for the unemployed that will be economically and financially sound and at the same time deal adequately with the social problems that lie ahead. First and foremost, we place great emphasis on the positive solutions to the problem of unemployment. There is no system of unemployment insurance that can cope with heavy and prolonged unemployment in a manner that is at the same time financially practicable and socially defensible. Insofar as this vital but larger matter comes within our terms of reference we are proposing a basic re-organization in the role and operations of the National Employment

Service. In our view it is essential that this Service be used more effectively, as part of a comprehensive and forward-looking manpower policy, to expand employment opportunities and to assist individuals to make the best use of their skills and abilities. Such a re-orientation, along with the pursuit of a positive concept in respect of emerging employment and manpower problems, is the foundation stone upon which a program of support for the unemployed should be built. The development of adequate opportunities for employment and the fullest use of human resources is a prime concern of the community; support for the unemployed when work is not available is a necessary and important social obligation, but it is never an end in itself.

II. OUTLINE OF A PROGRAM—BASIC PRINCIPLES

7. We are satisfied that in any comprehensive program of support for the unemployed, a plan of unemployment insurance based on insurance principles appropriate to such a plan should occupy the first and probably the principal place. We recognize that these principles will not in all respects correspond to insurance principles appropriate to a commercial insurance enterprise. Nevertheless, there are a number of basic principles that must be adhered to if a plan is to be an insurance plan in anything more than name. These will be referred to subsequently.

8. Our views in this respect have been reached after a careful consideration of the opinions placed before us in briefs and at our public hearings, an examination of programs in a number of other countries, and our consideration of the problem generally. An insurance approach to this problem permits benefit to be paid as a matter of right to persons who have complied with the prescribed qualifying conditions. The amount and duration of benefit are determined in accordance with prescribed rules rather than on the basis of administrative discretion. We believe that the insurance approach thus carries a substantial advantage in terms of personal dignity and freedom. We consider also that this approach, based upon contributions by and in respect of those covered by the plan, permits an orderly system of financing free from circumstances and pressures that surround the determination of government budgetary programs.

9. We are glad to note that there is widespread support for this view. Many of the organizations that presented views to us expressed themselves as being in favour of an unemployment insurance scheme based

upon insurance principles, and we find that this view is frequently expressed in discussions of the problem, both editorial and other.

10. We recognize that some organizations that presented views recommended the abandonment of the insurance approach to the problem and the substitution of a tax-supported program of income payments to persons who are without work and seeking work, the idea being that these payments would continue without limit as to duration until the claimant obtained a suitable job. An approach of this kind, while apparently solving some of the difficulties that beset the present plan, would, in our opinion, create other problems and difficulties that are so overwhelming that we find it impossible to accept this view. We believe that to no small extent recommendations of this type have their origin in the difficulties that have resulted from attempts to stretch the existing insurance plan beyond its capacity. We believe that the program that we are recommending will solve most of these difficulties in a different way.

11. Although, as we have noted, we are convinced that a soundly conceived insurance plan has a prominent place in a program of support for the unemployed, we are equally convinced that an insurance plan cannot deal with the whole problem. Any attempt to make it do so forces such distortions that basic insurance principles cannot be maintained and the plan is pushed from amendment to amendment without any sound guiding principles on which decisions can be based.

12. We believe that a certain minimum amount of frictional unemployment is to be expected in a free economic system. This degree of unemployment is, we think, closely linked with the maintenance of freedom in the economic system; freedom of the worker to change his job, to change his occupation, to change his place of residence; freedom of the employer to launch new business enterprises, to design new products, to adopt new methods; freedom of the consumer to buy freely where he wishes and when he wishes. We believe that this minimum degree of unemployment could be avoided only by a regimentation of industry, workers and consumers that would be out of keeping with the basic philosophy on which our system rests.

13. Past experience shows that even when the economy is in a condition of "full employment" it still exhibits a certain amount of frictional and short-term unemployment. The proportion of the civilian labour force shown as unemployed in the periodic Labour Force Surveys has never dropped below 1.3 per cent since 1941. This minimum figure was

exhibited in June 1944, and shows that even under the tight labour conditions of a wartime economy there is still some unemployment. Even in the years of highest employment subsequent to the war the proportion of the civilian labour force shown as unemployed never dropped much below 2 per cent in the peak employment months of the best years. It appears, then, that a certain minimum amount of frictional unemployment is to be expected in the economic system even under the best conditions.

14. It is this basic minimum amount of unemployment, normally thrown up by the operation of the economic system, that can best be dealt with on an insurance basis. This consists of frictional unemployment, and short-term unemployment generally, caused by the never ceasing changes in ideas, in products, in methods, in buying habits and in personal employment patterns. The amount of this unemployment is likely to vary from year to year but in the absence of important other influences or trends is not likely to assume major proportions. We believe that it is appropriate that those who suffer the impact of this type of unemployment be indemnified for a substantial proportion of their lost wages on the basis of an insurance plan, the cost of which is borne by those who draw their livelihood from enterprises involving an employer-employee relationship. In any such plan we believe that all employees should be covered. There is no logical basis for any exceptions, whether by reason of occupation or earnings, other than such exceptions as are dictated by administrative problems.

15. There are, however, types of unemployment other than frictional and short-term; these include the longer term unemployment resulting from economic recessions that occur during the business cycle, the pockets of prolonged unemployment that may result from the closing down of an industry in an area that lives by that industry alone, and unemployment arising from changes in methods and products that has continued beyond a short period. We believe that these types of unemployment are more deeply rooted than the frictional or short-term unemployment appearing in the ordinary functioning of the economic system, and generally require the application of methods and procedures for their solution that would not be appropriate or even feasible in the short run. In such cases, income maintenance is only one of the tools to be used in coping with the problem and we think it would be quite improper to rely on this tool alone. It is also to be noted that some individuals may suffer more or less chronic unemployment not connected with any particular feature of the economic system but rather

as a result of personal difficulties such as lack of education, lack of technical training or personality problems.

16. We recognize that unemployment of these types cannot always be sharply and clearly distinguished from the more or less normal frictional and short-term unemployment appearing in the economic system, and perhaps the best guide to distinguish between the two general types is the duration of the unemployment falling upon any individual in the light of his previous employment record. However, to avoid the difficulty of trying to distinguish between the various types of unemployment in their early phase, we believe that the unemployment insurance plan should absorb the first impact of unemployment, whatever the type. Unemployment that has continued beyond a relatively short period can, in general, be considered as arising from other than normal causes. Our view is, therefore, that a plan of extended benefits should be instituted under which benefit payments will be continued for a further period to any individual who has exhausted his entitlement to insurance benefit. The payment of these extended benefits should, we believe, be accompanied by a vigorous attack on the conditions that have caused the persons concerned to remain unemployed beyond the duration of their insurance benefits. This vigorous attack would include monetary and fiscal policies, trade policies, retraining and relocation of workers, development of resources and industries, development of winter works, examination of particular employment problems of individuals and all other tools available in a comprehensive employment and manpower problem.

17. In such a concept, income maintenance occupies only one place. Since the unemployment in question would usually stem from problems that affect the economy as a whole, or the economy of large regions, rather than from the normal operation of a free employer-employee relationship, we believe that the responsibility for meeting the cost of these extended benefits should rest upon the taxpayers as a whole as part of the general taxation system, and they should not be financed on the basis of specific contributions from the persons concerned or their employers.

18. We do not believe that a plan of extended benefits should provide benefit for an indefinite period to any individual. We suggest instead, as will be described in further detail subsequently, a period of extended benefits that will be related in broad terms to the claimant's employment record, and we think that the amount of benefit should also be related to the claimant's normal earnings.

19. In reaching this view we have in mind that the labour force in Canada is not a closed or homogeneous group. Instead, there is an active movement of individuals into the labour force and out of it. Some persons wish full-time work, others wish only part-time work. It is not possible to determine, in every case, whether a claimant genuinely desires employment or not. In many cases of low employability it may be extremely difficult to find a suitable job, and the problems of retraining or relocation may be impossible where the individuals concerned are not in fact eagerly seeking work. A benefit of unlimited duration would, in such cases, not be appropriate in the light of the plan that we have in mind. Further, we think it would be repugnant to the public generally to keep persons on benefit at the taxpayers' expense for an indefinite period without examining their actual needs. We believe also that an indefinite period of benefit payment would tend to create a hard core of unemployment, would lead to debilitation and degradation of the individuals concerned and would tend to obscure the need for a different type of treatment of their problems.

20. When unemployment for any individual has gone on for a long period—beyond the period contemplated by us as appropriate for an insurance benefit together with an extended benefit—we believe that it would be wholly reasonable to look to a plan of general assistance based on a test of need to take up the case. Benefits determined in accordance with a set of rules and in accordance with some previous employment record are based, in effect, on an average need. After unemployment has continued for a long period we think that it is socially desirable that the individual case be examined to determine the actual needs, not only to determine whether the general taxpayer should continue to provide assistance but also to determine the amount of assistance required in the light of those needs. Also, individual treatment would determine whether any special procedures are indicated that go beyond the more general procedures of a national employment and manpower program. Thus a different type of administration is needed. Trained social workers would be required and decisions would depend not only on an individual's personal needs and circumstances but also on local conditions.

21. Thus we think that a general assistance plan based on a test of need should be relied upon to assume the problem of the residual unemployment. The assistance plan would take care of the cases for whom it has not been possible to provide other solutions during the time that they have received benefits under the preceding plans. The assistance plan would apply to persons who are demonstrably in need and who

have been unable to qualify for insurance benefit or extended benefits or, having qualified, have exhausted such benefits.

22. In summary, we believe that a program of support for the unemployed should consist of three parts. The first part would be an insurance plan founded on insurance principles and supported by contributions by and on behalf of the persons concerned; this would take the first impact of unemployment but only for a limited time. The second part would be a plan of extended benefits payable to those who have exhausted their insurance benefits and, subject to certain conditions, to those whose unemployment follows a seasonal pattern, to be supported from general taxation revenues. The third part would be an assistance plan to deal with residual unemployment applied on a needs-test basis and administered by local or regional authorities in the light of local circumstances. These three parts of the general program will be discussed in greater detail in Chapter Four.

23. In the course of our study of the problems placed before us, we have had in mind constantly the question of abuses under the present system and several specific recommendations are made designed to cure or at least to lessen the possibility of abuses. Legislation is, however, only one factor in controlling abuses. Equally important is a competent and dedicated administration to enforce the system with fairness, vigour and imagination. Any failure to maintain an administrative staff of the necessary extent and quality cannot but have the most unfortunate effects on the operation of plans as widespread as those designed to deal with financial support for the unemployed. Inadequate administration will inevitably open the door again to abuses and to the discrediting of the whole plan. The work of the administrative staff must, of course, be encouraged and supported at all levels on the basis of a clear idea of the intentions of the whole program, not only within the permanent administration but also reaching out to the legislators and the community itself.

24. We feel that it is important from this aspect of the matter to carry on a regular educational program through the press and other media to create a proper public image of unemployment insurance. The rights and responsibilities of employees and employers should be made clear. A proper understanding of the nature of unemployment insurance should go a long way towards building a better public attitude. Such educational efforts will produce results however only when the public becomes convinced that the legislation is administered fairly and impartially for the purpose for which it was designed and when the legislation is changed

to block some of the more apparent misuses of the plan. When the widespread idea that the Unemployment Insurance Fund is used as a convenient device to deal with problems not intended to be handled under the unemployment insurance plan is dispelled, public confidence should be restored and better co-operation secured.

25. To conclude this statement of general philosophy, we wish to emphasize that our recommendations are closely interwoven, one with the other, and it should not be assumed that we should be in favour of the adoption of any particular recommendation or any group of recommendations regardless of what action is taken with respect to the others. We think that the recommendations should be considered as a whole. Great care must be taken in selecting amongst them because, to select some and not others, might have the effect of destroying the comprehensive program we have attempted to design and might make matters worse than they are now instead of better.

26. A summary of our recommendations now follows. Further detail and discussion concerning them will be found in Chapter Four.

III. SUMMARY OF RECOMMENDATIONS

27. (Further details in connection with each item will be found in the paragraphs referred to at the end of the item.)

(1) That a program of support for the unemployed be adopted consisting of three parts as follows: the first part to be an insurance plan, supported by contributions from employees and employers, to take the first impact of unemployment but only for a limited time; the second part to be a plan, supported from general taxation revenues, to provide extended benefits payable to persons who have exhausted their insurance benefits, and, subject to certain conditions, to persons whose unemployment follows a seasonal pattern; and the third part to be an assistance plan to take care of residual unemployment, applied on a needs-test basis and administered by local or regional authorities in the light of local circumstances; (Ch. One, par. 7 to 22).

(2) That the unemployment insurance plan be based on insurance principles appropriate to such a social insurance plan (Ch. Four, par. 1 to 10).

(3) That coverage under the unemployment insurance plan apply to all persons over the age of 18 occupying the employee side of an

employee-employer relationship, subject to exceptions only because of administrative problems (Ch. Four, par. 11 to 32).

More specifically, and with reference to coverage under the existing plan, our recommendations under this head are:

(a) that coverage be extended to
  (i) government employees, federal, provincial and municipal (subject to the consent of the province in the case of provincial employees) (Ch. Four, par. 12 to 14),
  (ii) employees earning more than $5460 annually (Ch. Four, par. 16 to 19),
  (iii) employees of hospitals and charitable institutions (Ch. Four, par. 24),
  (iv) teachers (Ch. Four, par. 12, 13, 15);

(b) that coverage be withdrawn from
  (i) self-employed fishermen (See Recommendation 45 concerning the establishment of a separate plan for this group.) (Ch. Four, par. 26),
  (ii) persons under the age of 18 (Ch. Four, par. 27);

(c) that the existing exception relating to employees in agriculture and domestic service be continued by reason of administrative problems but that efforts be made to solve these problems and extend the coverage within these classes if and when appropriate procedures can be devised (Ch. Four, par. 20 to 22);

(d) that existing exceptions founded on the dangers of abuse be continued (Ch. Four, par. 25) and expanded to except all family employment, whether paid or unpaid (Ch. Four, par. 28), employees hired together with major equipment owned by the employee (Ch. Four, par. 29), casual employment (Ch. Four, par. 30), officers and directors of corporations where the Unemployment Insurance Commission is satisfied that the employment is substantially self-employment (Ch. Four, par. 32);

(e) that the existing exceptions relating to members of the armed forces and members of the Royal Canadian Mounted Police be continued (Ch. Four, par. 23).

(4) That, with the exception of administrative expenses, the unemployment insurance plan be financed by contributions shared equally between employees and employers with no contribution from

the government (except in its capacity as an employer) and that the administrative expenses arising in connection with the plan be met by the government from general taxation revenues (Ch. Four, par. 33 to 39).

(5) That the contribution system and qualification requirements for benefit be revised to provide that where an employee works for a particular employer for less than a full working week, the earnings class be determined on the basis of the employee's rate of earnings for a full working week and the contribution required be one-fifth of a full week's contribution in that earnings class for each day worked; that the contribution record for each insured person show the number of days worked in any week where the insured person worked for less than a full working week; that the record of attachment to insured employment required to enable an insured person to qualify for benefit be expressed in terms of full weeks of employment or contribution, with partial weeks being converted to full weeks at the rate of five days equalling one week; and that the rate of benefit be based upon the average contribution per full working week over the 20 most recent full weeks of contribution (or the equivalent in broken weeks at the rate of five days equalling one week); (Ch. Four, par. 40 to 53).

(6) That the existing methods of collecting and recording contributions be retained but that the Unemployment Insurance Commission continue its efforts to extend the bulk-pay system as far as it can be extended in an efficient and useful manner (Ch. Four, par. 54 to 59).

(7) That the existing practice of a general pooling of the risk be continued and that plans of merit or experience rating not be adopted (Ch. Four, par. 134 to 138).

(8) That existing contribution rates be continued subject to the adoption of an appropriate comparable rate for the new top class, until a suitable reserve fund has been established and until experience shows that a reduction in rates is possible without threat to the financial solvency of the plan (Ch. Four, par. 154 to 163).

(9) That the record of attachment to insured employment required for the establishment of a benefit period be at least 30 full weeks of employment in insured employment in the two years preceding the claim of which at least 20 weeks have occurred in the one year preceding the claim and also since the beginning of the last preceding

benefit period, if any; and that for the purpose of this test, partial weeks of employment be converted to full weeks at the rate of five days equalling one week; (Ch. Four, par. 60 to 70).

(10) That the maximum benefit available in any benefit period be one full week of benefit for each two full weeks of contribution that have occurred in the one year preceding the claim and also since the beginning of the last preceding benefit period, if any; and that, for this purpose, partial weeks of contribution be converted to full weeks on the basis of five days equalling one week; (Ch. Four, par. 71 to 76).

(11) That an additional earnings class be added to include all employees who are earning $80.00 a week or more and that the two lowest earnings classes be combined into one (Ch. Four, par. 81, 82, 85).

(12) That the rates of benefit be raised to approximately 60 per cent of earnings for claimants with a dependent and to approximately 45 per cent of earnings for claimants without a dependent, in the upper earnings classes, and to a somewhat higher proportion of earnings in the lower earnings classes (Ch. Four, par. 77 to 80, 83 to 85).

(13) That allowable earnings be reduced to represent approximately one-quarter of the weekly rate of benefit in each class (Ch. Four, par. 86 to 88).

(14) That Seasonal Benefit in its present form be withdrawn and that seasonal regulations be enacted whereby insurance benefit would not be paid during any period of unemployment that, on the basis of the claimant's personal employment record, is shown to be of a repetitive seasonal character (Ch. Four, par. 89 to 103).

(15) That no special regulations be enacted relating to married women as such, but that a program be adopted providing more active claims supervision and more vigorous follow-up of cases where referrals to job opportunities have been made without successful placement, in order to reduce the abuse of the plan on the part of persons who are not genuinely seeking employment (Ch. Four, par. 105, 106, 108 to 110).

(16) That a woman whose employment terminates by reason of pregnancy be considered as unavailable for employment until eight weeks after confinement; and that, if her employment terminates for

any other reason, a woman who is pregnant be considered unavailable for employment for eight weeks before and eight weeks after confinement (Ch. Four, par. 107, 111, 112).

(17) That a woman who has children below school age in her care be considered unavailable for employment unless she can prove to the satisfaction of the Unemployment Insurance Commission that she has made satisfactory arrangements for the care of the children should she receive an offer of employment (Ch. Four, par. 111, 112).

(18) That the pension received on retirement under an employer-employee pension plan and income payments given as indemnity for a temporary period for lost wages under Workmen's Compensation plans or employer-employee sickness or disability plans be treated as earnings for purposes of determining benefit payments under the unemployment insurance plan (Ch. Four, par. 113 to 121).

(19) That payments made to employees on termination of employment, such as bonuses, gratuities, severance pay, holiday pay, or other credits, be treated as earnings for purposes of determining the benefit payments under the unemployment insurance plan (Ch. Four, par. 130 to 132).

(20) That efforts be made to increase the extent of post-auditing procedures in connection with claims, to bring to light possible concealment of earnings (Ch. Four, par. 123 to 125).

(21) That efforts be continued to improve interviewing techniques and procedures as a means of determining the true facts concerning availability for employment (Ch. Four, par. 126).

(22) That where a claimant is disqualified by reason of voluntary termination of employment without just cause, or by reason of a refusal to accept an offer of suitable employment, the disqualification result in a reduction of benefit entitlement equal to the period of disqualification rather than merely a delay in receipt of benefit (Ch. Four, par. 139 to 141).

(23) That the Unemployment Insurance Commission undertake a vigorous campaign of education aimed at demonstrating to employers the importance of accurate reporting of reasons for termination, and use the power now available to prosecute employers who can be shown to have supplied false information (Ch. Four, par. 127 to 129).

(24) That where a claimant is entitled to supplemental unemployment benefit payments under a plan established by his employer, these payments be treated as though they were earnings for purposes of computing benefit payable under the unemployment insurance plan, except that, for claimants in the top earnings class, the benefit payable under the unemployment insurance plan be the smaller of (a) the amount payable under the insurance plan apart from the supplemental unemployment benefit plan, or (b) the amount required to bring the income of the claimant for the week from earnings, supplemental unemployment benefit and unemployment insurance benefit combined, up to 75 per cent of his normal weekly earnings if he has a dependent or 56¼ per cent of his normal weekly earnings if he has no dependent (Ch. Four, par. 142 to 148).

(25) That where a claimant is directed to a training course, the unemployment insurance benefit be terminated and a training allowance be granted in lieu thereof under the general vocational training program (Ch. Four, par. 149 to 150.)

(26) That refusal to cross picket lines in connection with a labour dispute be considered as evidence of taking part in a labour dispute regardless of the reason given for such refusal (Ch. Four, par. 151).

(27) That where workers of a given grade or class participate in a labour dispute at a particular premises by refusing to cross picket lines, such refusal be considered as constituting participation in that dispute by all workers of that grade or class throughout the area covered by the agreements that have given rise to the original dispute (Ch. Four, par. 152, 153).

(28) That the balance in the Unemployment Insurance Fund not required to meet current benefit payments be invested from time to time in securities especially issued for the purpose by the government of Canada, such securities being redeemable at par, subject to 30 days' notice, and carrying a rate of interest approximately equal to the market rate at date of issue on a three-year government security (Ch. Four, par. 164 to 173).

(29) That the Unemployment Insurance Commission be required to prepare an annual financial statement showing the condition of the Fund at the end of each fiscal year and the income and expenditure occurring during the year; that this statement be audited by the Auditor General; that the audited statement be laid before

Parliament at the earliest opportunity; and that the existing requirement calling for a statement by the Minister of Finance be repealed; (Ch. Four, par. 172).

(30) That a plan of extended benefits be adopted to pay benefits for a limited period to persons who have exhausted their unemployment insurance benefits and, subject to certain conditions, to persons who are ineligible for unemployment insurance benefits by reason of the seasonal regulations, the cost of such extended benefits to be met by the federal government from its general sources of revenue (Ch. Four, par. 174 to 207).

(31) That eligibility for extended benefits be limited to persons who have recently established a benefit period under the unemployment insurance plan and have either exhausted their insurance benefit or have been disqualified by reason of the seasonal regulations, but that no benefits be payable under this plan to persons aged 70 or over who are in receipt of a pension under the Old Age Security Act, to persons under age 18 or to married women who are not the sole support of their household (Ch. Four, par. 179 to 185).

(32) That the maximum period of extended benefits be one and one-half times the period of insurance benefit to which the claimant was entitled in his last preceding benefit period; that eligibility for extended benefits commence immediately on the termination of a benefit period under the insurance plan; and that such eligibility expire at the end of a further period of time equal to the maximum period of entitlement to extended benefits applicable in the particular case; (Ch. Four, par. 186 to 188).

(33) That the rate of benefit payable under the extended benefits plan be the same as the rate of benefit to which the claimant was entitled under the insurance plan in his last preceding benefit period (Ch. Four, par. 189).

(34) That claimants under the unemployment insurance plan who are disqualified by reason of the seasonal regulations be enabled to draw extended benefits during the off season subject to all the other rules applying to extended benefits, and to the further rule that no extended benefits be paid to any such person who had a record of 40 or more full weeks of insured employment during the 52 weeks preceding the claim (Ch. Four, par. 191 to 197).

(35) That the operation of the plan of extended benefits be accompanied by increased emphasis on the vigorous development of

the National Employment Service, on the problem of adjustment to technological changes, on retraining programs, and on problems of occupational and industrial shifts and on all other matters falling within a comprehensive national employment program (Ch. Four, par. 200 to 202).

(36) That a claimant under the extended benefits plan be required to accept employment of which he is reasonably capable, whether it is the same as his customary employment or not, or be disqualified for benefit (Ch. Four, par. 203 to 205).

(37) That claimants under the extended benefits plan have the right to appeal decisions of the administration to the Chairman of the local Board of Referees established under the unemployment insurance plan (Ch. Four, par. 207).

(38) That efforts be continued to improve and develop existing assistance plans operated on a needs-test basis to enable them to deal effectively with residual unemployment (Ch. Four, par. 208, 209).

(39) That the National Employment Service be transferred to the Department of Labour as a necessary move to co-ordinate efforts relating to manpower policy and employment programs and that the National Employment Service, through its local offices, perform an administrative function for the Unemployment Insurance Commission on an agency basis (Ch. Four, par. 210 to 220, 222).

(40) That the Unemployment Insurance Commission have the responsibility for the administration of the unemployment insurance plan and the extended benefits plan in all respects, subject to an agency arrangement with the National Employment Service at the local office level, and for the appointing of Chairmen of Boards of Referees (Ch. Four, par. 221 to 224).

(41) That power be restored to the Unemployment Insurance Commission to prosecute employers for default in payment of contributions required by the Unemployment Insurance Act (Ch. Four, par. 229).

(42) That steps be taken to raise the standard of education, training and salary in order to improve the quality of the staff of the Unemployment Insurance Commission and of the National Employment Service and that, in particular, the staff of claims investigators and auditors be increased (Ch. Four, par. 226 to 230, 232, 233).

(43) That the physical facilities of the local offices of the National Employment Service be improved (Ch. Four, par. 231).

(44) That an Advisory Committee be continued with the responsibility for watching over the financial solvency of the plan; that the Advisory Committee be made up of representatives of employers and employees appointed by the government from panels nominated for the purpose by interested organizations, and possibly supplemented by members representing the public at large; and that recommendations of the Advisory Committee concerning the financial structure of the plan be either accepted by the government, or formally rejected with reasons given; (Ch. Four, par. 234 to 237).

(45) That a separate plan for self-employed fishermen be instituted, designed to be more in accordance with the needs and circumstances of the fishermen than is possible under the general unemployment insurance plan; and that responsibility for the administration of this separate plan rest with the Department of Fisheries; (Ch. Four, par. 238 to 244).

CHAPTER TWO

A BRIEF HISTORY OF THE UNEMPLOYMENT INSURANCE ACT

I. LEGISLATIVE HISTORY

1. It does not appear necessary to review in any detail the consideration given over many years to the desirability of a scheme of insurance against unemployment. An Act was passed by Parliament in 1935 to provide such insurance but was subsequently held ultra vires. After the constitutional difficulties had been cleared away the Unemployment Insurance Act of 1940 was assented to on August 7, 1940. Although changed in many important respects, the basic scheme adopted in 1940 is the plan of insurance against unemployment still in effect.

A. Plan Based on Insurance Principles

2. It would also seem unnecessary to devote much space to establish the fact that the plan adopted was an insurance plan and not a plan of unemployment assistance or other form of social welfare. The word "Insurance" in the title of the Act was not used carelessly; it was the carefully considered description of the nature of the plan. The Canadian Act was modeled largely on the British Act which had been in force for several years, and to a lesser degree on the Unemployment Insurance Acts in the United States which had been in operation for a shorter time. Both the British and American schemes were based on insurance principles. In considering the application of insurance principles it should be kept in mind that unemployment insurance is social insurance as distinguished from commercial insurance, and some departures from principles that would be regarded as essential in commercial insurance do not make the unemployment insurance plan any less an insurance plan.

3. Over the years a great deal has been written on the meaning of insurance principles as applied to unemployment insurance. It is not proposed to repeat here what has already been said on this subject or to attempt a better statement. However, to consider how these principles were embodied in the Act as originally enacted, and how they have fared over the intervening years, it may be useful to set out a very concise statement of the principles as enunciated by the Unemployment Insurance Commission several years ago:

> A plan of insurance must have an actuarial basis. There must be a definition of the risk insured against and the conditions under which indemnity will be paid; the area of insurance must be limited to contingencies, not situations that are certain to occur; there must be some possibility of estimating the rate of occurrence of the contingency; the amount of the indemnity (under unemployment insurance, the rate and duration of payment) must be determined; and the premium or contribution must be calculated which is needed to provide a fund sufficient to meet all probable claims.
>
> For an unemployment insurance plan to be genuine insurance, it follows that (1) the insured person, to have an insurable interest, must be subject to the risk of losing something of real value; (2) the actual occurrence of this contingency must be easy of verification and of proof that it falls within the scope of the insurance contract.
>
> Under unemployment insurance, as regards (1), the contingency is loss of employment and the earnings therefrom. A person who is not normally in insurable employment to a substantial extent and within a recent period of time has nothing of substantial value to lose and cannot have an insurable interest. As regards (2), there must be a ready means of determining when an insured person is unemployed and whether he meets the minimum conditions for the receipt of benefit.
>
> The above is a brief statement of what is meant by "insurance principles" as that expression is used in connection with unemployment insurance. A scheme of cash relief for the unemployed which does not adhere to these principles is not insurance.

B. The 1940 Act

(a) Coverage

4. The record seems clear that the primary purpose of the Unemployment Insurance Act of 1940 was the positive one of establishing and maintaining an effective National Employment Service. The insurance feature was coupled with the employment feature to provide insurance against the loss suffered as a result of temporary loss of employment. The plan was compulsory; i.e., subject to the exceptions noted below every person employed under a contract of service was insured and was required to contribute as was his employer and the federal government.

Excepted Employments:

1. Agriculture, horticulture and forestry.
2. Fishing.
3. Lumbering and logging, exclusive of wood-processing mills and plants in operation more than 30 weeks in a year.
4. Hunting and trapping.
5. Transportation by water or by air, and stevedoring.
6. Domestic service in a private home.
7. Employment in a hospital or charitable institution not carried on for gain.
8. Professional nursing for the sick or as a nurse-probationer.
9. Teaching, including teachers of music and dancing.
10. Service in the armed forces or in a public police force.
11. Employment in the government service of Canada for employees appointed under the Civil Service Act or certified as permanent.
12. Employment in the government service of any province unless the government of the province agrees.
13. Employment by any municipal authority if the municipal authority certifies that the employment is permanent.
14. Employment as an agent paid by commission, fees, or share of profits, if this is not the main means of livelihood and if the employee is not under a contract of service giving the employer control over the manner and time in which the service is to be performed.
15. Employment at a rate of remuneration exceeding $2,000 a year.
16. Casual employment, otherwise than for the employer's regular business.
17. Subsidiary employment, not the main means of livelihood.
18. Employment where the employed person is in the service of his or her spouse.
19. Employment where no wages are paid and the employee is the child of the employer.
20. Employment where wages are paid for playing any game.
21. Any employment—
    (a) that ordinarily lasts for less than four hours a day, or
    (b) that is ordinarily by more than one employer but less than four hours a day for any one of them, or
    (c) where the employee is only available for insured employment for not more than two days in any week.

5. The administration of the Act was entrusted to a commission composed of a chief commissioner, a commissioner representing employers and a commissioner representing employees, rather than to a department of government. The Commission was responsible to Parliament reporting through the Minister of Labour. For the purpose of advising and assisting the Commission in carrying out the function of the Employment Service, the Commission was required to establish a "National Employment Committee" and such other committees as the Commission considered desirable. It was provided that the National Employment Committee would be made up of members chosen after consultation with organizations representing workers and an equal number of members chosen after consultation with organizations representing employers.

6. On the insurance side, provision was made for the establishment of a committee called the "Unemployment Insurance Advisory Committee". It was provided that at least one of the members of the Advisory Committee, other than the chairman, should be appointed after consultation with organizations representing workers and an equal number after consultation with organizations representing employers. This provision of the Act did not apparently contemplate that the Committee would be composed solely of representatives of employees and representatives of employers as was the case in the composition of the National Employment Committee. However, in practice, the membership of the Committee, apart from the chairman, has been made up equally of representatives of employers and representatives of employees. The Committee, appointed by the Governor in Council, was required to advise and assist the Unemployment Insurance Commission, report on the condition of the Insurance Fund and make recommendation if the Fund was, or was likely to become, insufficient to discharge its liabilities. The Committee was also empowered to make recommendations with respect to the coverage of persons not insured under the Act.

(b) The Unemployment Insurance Fund and the Investment Committee

7. Contributions under the Act commenced as of July 1, 1941. All contributions under the Act were credited to a special fund called the Unemployment Insurance Fund in the Consolidated Revenue Fund. In addition to the contributions of employer and employee, the government made an additional contribution equal to one-fifth of the aggregate of the employer-employee contributions. In addition, the government

paid the entire cost of administration. Withdrawals from the Fund could be made only for the purpose of payment of benefits and refund of contributions. It was provided that when there were amounts standing to the credit of the Unemployment Insurance Fund not currently required for the purposes of the Act, the Minister of Finance, on the requisition of the Commission, was required to purchase obligations of or guaranteed by the government of Canada. However, all such investments could be made only on the authorization of the Investment Committee consisting of one member nominated by the Minister of Labour, one member nominated by the Minister of Finance, and the Governor of the Bank of Canada or, in his absence, his deputy.

8. Generally, contributions were made by the affixing of unemployment insurance stamps in an insurance book issued to each covered employee, for each day of insured employment. Payment by means of a stamp metering device was also provided for, and, later, provision was made for payment in bulk.

(c) Entitlement to Benefit

9. In order to establish a claim for benefits, the claimant was required to show:

(i) that contributions had been made in respect of him while employed in insured employment for not less than 180 days during the two years immediately preceding the date on which a claim for benefit was made;

(ii) that he had made application for insurance benefit in the prescribed manner, and proved that he was unemployed on each day on which he claimed to have been unemployed;

(iii) that he was capable of and available for work but unable to obtain suitable employment; and

(iv) that he either duly attended or had good cause for not attending any course of instruction or training approved by the Commission that he may have been directed to attend by the Commission for the purpose of becoming or keeping fit for entry into or return to employment.

10. In applying the contribution test described in item (i) of paragraph 9, the concept of a "benefit year" was used. This concept is explained in paragraphs 74 to 78 of Chapter Three. After the termination of a benefit year, the claimant, to establish a further claim, was required to show, not only that he had made at least 180 daily contributions in the two years preceding the claim, but also that at

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least 60 of these contributions had been made since the last day of benefit in the preceding benefit year.

11. An insured person was disqualified for benefit if participating in, financing, or directly interested in a stoppage of work due to a labour dispute. He was also disqualified for a period not exceeding six weeks—

(i) if he had been discharged for misconduct;
(ii) if he had refused to accept suitable employment without just cause;
(iii) if he had voluntarily left employment without just cause.

12. The Act gave a claimant whose claim had been disallowed by an insurance officer the right of appeal to a Court of Referees. The Court of Referees was composed of a chairman appointed by the Governor in Council, a number of persons representing employers and an equal number representing employees. A further appeal to an Umpire was provided for. The Umpire was chosen from the judges of the Exchequer Court and of the Superior Courts of the provinces.

(d) Amount and Duration of Benefit

13. Originally the amount of benefit was 34 times the employee's average contribution made within the previous two years for a claimant without a dependent, and 40 times for a claimant with a dependent. No benefit was payable for the first nine days of employment in a benefit year (the "waiting period"), nor for the first day of unemployment in a week (the "non-compensable day") unless the claimant was unemployed all of that week or the first day of unemployment followed a period of continuous unemployment of not less than a week. The waiting period was based partly on grounds of administrative convenience and partly on grounds of cost; i.e., short periods of unemployment each year were regarded as a near certainty for the great majority of persons in insured employment. This safeguard was regarded as comparable to the deductible feature in automobile insurance. The maximum duration of benefit was one day of benefit for each five daily contributions made in the previous five years, less one day for each three days of benefit received in the previous three years.

C. Coverage of and Claims by Older Persons

14. In June 1941, the Unemployment Insurance Advisory Committee held its first meeting. At the Advisory Committee meeting in December 1941, the Unemployment Insurance Commission submitted

a series of suggested amendments to the Act. Not too surprisingly, a number of practical problems in the administration of the Act had been encountered in the short time it had been in operation. Many of the recommendations of the Commission were concurred in by the Committee and led to legislative action in 1943. The Commission also recommended the inclusion of lumbering and logging and stevedoring as insured employments. Action on this recommendation was deferred. It is also interesting to note that although payment of benefits had not yet commenced there was considerable discussion of anticipated problems in connection with coverage of older persons and benefit claims by persons in receipt of pension. With the commencement of benefit payments the anticipated problem regarding older insured persons became real and became the subject of frequent discussion by the Advisory Committee. A variety of solutions to the problem were considered but none was adopted. The nature of the problem as seen by the Unemployment Insurance Commission is summarized in the following comment of the Commission:

> Throughout the last 15 years the claims statistics and the information derived by the Commission from its experience in administering both the unemployment insurance scheme and the National Employment Service have steadily indicated that the group 65 years of age and over draw benefit in a far higher ratio than that which their own numbers bear to the rest of the insured population. The differential is so substantial that the inference can only be that many of these older persons have retired from the labour market and are drawing benefit as a supplement to or substitute for a pension.
>
> It is to be expected that the impact of claims from the older group should be somewhat heavier, as these persons find it harder to get employment than younger persons. The impact is likely to be heavier both in regard to the percentage making claims and in regard to the length of time they stay on benefit. For example, a ratio higher than the average by say 50% or 75% would not be surprising. In fact, however, it is about 250% as regards the number of claims and about 300% as regards the amount of benefit drawn.[1]

15. The problem still remains unresolved.

D. Wartime Changes in Administration of the Act

16. In September 1942, an important but temporary change in the administration of the Unemployment Insurance Act was made by Order in Council P.C. 7994 dated September 4, 1942. The effect of that Order was to make the administration of the Unemployment Insurance Act

[1] Letter from Unemployment Insurance Commission to Committee of Inquiry, August 16, 1962.

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a branch of the Department of Labour. The substance of the change in administration is contained in the following extract from the Order in Council:

> The control and supervision of the officers, clerks and employees of the Unemployment Insurance Commission as well as the several premises occupied by the Commission are hereby placed at the disposal of the Minister of Labour for a period which shall end on a day fixed by a proclamation issued under section two of the War Measures Act to the effect that the war no longer exists or on such earlier day as may be fixed by Order in Council and the Minister of Labour may utilize such personnel and premises for the administration of the National Selective Service Regulations, 1942, and, without prejudice to the autonomy and continuity of the Unemployment Insurance Commission, shall in cooperation with the Unemployment Insurance Commissioners administer the Unemployment Insurance Act, 1940, along with the administration of the National Selective Service Regulations, 1942, aforesaid, and, in that behalf, may exercise the rights, powers, duties and functions of the Unemployment Insurance Commission, which rights, powers, duties and functions are hereby extended to the Minister of Labour for the period aforesaid.

E. Amendments, 1943

17. Pursuant to the discussions that had gone on since the inception of the Act in 1941, the Act was first amended in July 1943, the amendments being effective September 1, 1943. The most important change was an increase from $2,000 to $2,400 in the wage ceiling of insured employment. The $2,400 ceiling applied only to those paid on a semi-monthly, monthly, or commission basis. Others were covered regardless of earnings. Provision was made for the extension of coverage to public utilities and provision also was made for the voluntary coverage of employees of hospitals and charitable institutions with the consent of the Commission. It was also provided that employees of the federal government would be covered unless certified as permanent employees. The requirements in connection with a subsequent benefit year were also changed. Originally the requirement was that there be at least 60 daily contributions since the last day the claimant drew benefits in the previous benefit year. The new requirement was at least 60 daily contributions after commencement of the previous benefit year.

F. Proposals for Extension of Coverage, 1944 to 1945

18. Throughout 1944 the Commission made extensive reports and recommendations to the Unemployment Insurance Advisory Committee relating to extension of coverage to excepted employments. By Order

in Council P.C. 4773 of June 26, 1944, the Advisory Committee was informed by the Government "that it is deemed desirable and expedient to extend provisions of the Unemployment Insurance Act, 1940, to . . . lumbering and logging, certain types of employment carried on in connection with agriculture and horticulture, in hospitals and charitable institutions, as a professional nurse except private duty nurses and probationers, in the public service of Canada or by municipal authority". The Committee was directed "to investigate and report upon the provision of unemployment insurance for these employments now excepted from the operation of Part II of the Act . . .".

19. In May 1945, after extensive investigations and receipt of representations from employers and employees in lumbering and logging, the Committee reported that it saw no difficulty whatsoever in extending the coverage of the plan to include employment in hospitals and charitable institutions, in the public service of Canada or by municipal authority; it declined, however, to take any position on the question of policy involved. As to employment as a professional nurse and certain types of employment related to agriculture and horticulture, the Committee reported that it would join with the Unemployment Insurance Commission in making a recommendation for coverage of those employments. With respect to lumbering and logging, the Committee pointed out that there were considerable practical difficulties involved, but that employment in the industry should be brought under unemployment insurance as rapidly as possible. It therefore advised that it would join the Unemployment Insurance Commission in so recommending to the Governor in Council. Its recommendation, however, would be that extension of coverage to lumbering and logging should be on a regional basis and subject to the establishment of special regulations designed to fit the circumstances existing in particular areas. The Committee indicated that the power of the Commission to impose seasonal regulations should be clarified and strengthened in order to provide proper coverage of employment in lumbering and logging.

20. The Act was not amended in 1945, but following on the earlier discussion in regard to extension of coverage, certain changes in coverage were made pursuant to authority contained in the Act. Employment of nurses other than those engaged in private duty nursing and employment in transportation by air were made insured employments.

21. By provisions in the Veterans' Rehabilitation Act passed in 1945, a veteran who completed 15 weeks in insured employment was deemed to have been in insured employment during the period of his services in the Armed Forces. Payment of employee and employer shares of

contributions for such "employment" was provided out of moneys appropriated by Parliament and credited to the Unemployment Insurance Fund. Protection against adverse effects on the Fund was given in a provision of the Act that directed the Unemployment Insurance Advisory Committee to report to the Governor in Council any such adverse effects so that remedial action could be taken. If there were adverse effects on the Fund there is no evidence that they were of important proportions.

G. Amendments, 1946

22. Amendments effective October 1, 1946, made transportation by water an insured employment. The amount that a claimant could earn without affecting benefit rights was increased from $1.00 to $1.50 per day. Such allowable earnings were permissible only if earned in an occupation that could be carried on in addition to and outside the hours of his normal occupation. The 1946 amendments also provided that in respect of the administration of the Employment Service, the Commission "shall be responsible to the Minister"; i.e., the Minister of Labour. In 1946, pursuant to authority contained in the Act, coverage was extended to lumbering and logging in British Columbia.

23. The provisions for veterans in the Veterans' Rehabilitation Act were transferred over to and made part of the Unemployment Insurance Act. For the purposes of those provisions merchant seamen were deemed to be veterans. The 1946 amendments also gave power to the Unemployment Insurance Commission to include in insured employment any group or class of persons not employed under a contract of service where their exclusion resulted in anomalies or injustices because of the similarity of their employment to that of insured persons.

H. Seasonal Regulations

24. The year 1946 saw the introduction of seasonal regulations related to the new coverage of persons employed in transportation by water. The intent of the regulations was to bar the payment of benefits during periods when the claimant was not normally engaged in employment. The regulations were framed on an industry basis; i.e., the Commission determined which industries would be considered as seasonal for the purposes of the application of the regulations. Subject to exceptions in specified circumstances, a claimant was classified as a seasonal worker if during a period preceding his claim he was employed in a seasonal industry for a specified portion of the period. The off-season for inland transportation

by water was, for the purposes of the regulations, designated to be January 1 to March 31. In 1948 seasonal regulations were applied to employment in stevedoring at designated ports and in 1949 to lumbering and logging east of the Rocky Mountains.

25. The introduction of Supplementary Benefit in 1950 led ultimately to the revocation of the seasonal regulations. Persons eligible for Supplementary Benefit were exempted from disqualification under the seasonal regulations during the Supplementary Benefit period (then January 1 to March 31). Further modifications made the regulations almost ineffective. At the time of general revision of the Act in 1955 an attempt was made to restore some effectiveness to the seasonal regulations. The new regulations were to have come into effect in October 1955, but application of the regulations was postponed for a year and they were then revoked, never having been in force. Since that time, seasonal regulations have not been applied to any industry. The text of the seasonal regulations that were in effect from 1953 to 1955, and the text of the seasonal regulations that were adopted in 1955 but, as already indicated, never became operative, are shown in Appendix IV.

I. Amendments, 1948

26. Amendments to the Act, effective October 4, 1948, brought about the first increase in benefit rates. The maximum benefit for a person with a dependent then became $18.30 per week as contrasted with the previous $14.40. The earnings ceiling for insured employment was raised from $2,400 to $3,120.

J. Amendments, 1950 — Supplementary Benefit

27. Amendments to the Act that became effective February 28, 1950, introduced a new element into the Act which was to have far-reaching consequences. Supplementary Benefit, referred to briefly in connection with seasonal regulations, became payable to persons unable to qualify for regular insurance benefit and

(a) whose benefit rights had been exhausted since the preceding March 31; or

(b) who had at least 90 daily contributions since the preceding March 31.

28. Supplementary Benefit at approximately 80 per cent of the regular rate was payable in the period January 1 to March 31 (in 1950 between

March 1 and April 15). To provide for the cost of Supplementary Benefit, contribution rates were raised by one cent per day for employer and employee and by 20 per cent of these additional contributions for the government. There was also a temporary guarantee that if the additional contribution proved insufficient to pay for Supplementary Benefit the government would make up any deficit.

29. Other amendments to the Act took effect in July 1950. The earnings ceiling was lifted from $3,120 to $4,800. The maximum benefit for persons without a dependent was increased from $14.40 to $16.20 per week, and for persons with a dependent from $18.30 to $21.00 per week. The schedule of contributions was revised; the number of contribution classes was reduced; employer and employee shares of contributions were made equal. The amount of allowable earnings was increased from $1.50 to $2.00 per day. In addition, the special contribution requirement applying to a second or subsequent benefit year was modified. Before the amendment this requirement was 60 or more daily contributions since the previous benefit year began. Under the amendment the requirement became either at least 60 daily contributions in the period of one year preceding the claim or in the period since the previous benefit year began, whichever is the shorter period, or at least 45 contributions in the period of six months preceding the claim or in the period since the previous benefit year began, whichever is the shorter period. Coverage of lumbering and logging was extended to all of Canada outside of British Columbia (it had been made an insured employment in British Columbia in 1946).

K. Married Women

30. The 1950 amendments to the Act authorized the Commission to make regulations regarding benefit claims by married women. The Commission was of the opinion that many married women were obtaining benefit while not genuinely unemployed and not really available for employment. Regulations were made in November 1950, requiring married women who claimed benefit within two years following marriage to fulfil certain conditions in addition to those required of all claimants in order to qualify for benefit. The regulation applied only in cases of voluntary termination of employment and required a woman who claimed benefit within two years of her marriage to show by her employment record that she had not left the labour market as a consequence of marriage. This could be done by showing that she had been in insured employment for a specified number of weeks after marriage (originally 15, later 10) or after her first separation from employment

following marriage. The regulations were amended in 1951, 1952 and 1955, each of the amendments being designed to ease the additional requirements applicable to married women so that the regulations as amended were not particularly onerous.

31. While the regulations were in effect, some 12,000 to 14,000 recently married women were disqualified annually under the regulations at a saving to the Fund estimated by the Unemployment Insurance Commission at $2,500,000 per year. The regulation was revoked in November 1957, and the revocation was followed by a sharp increase in payment to married women as compared with single women. In 1958, benefit payments to single women rose 60 per cent from $15 million in 1957 to $24 million in 1958 and then decreased. At the same time, benefit payments to married women increased by 80 per cent from $27 million to $47 million and continued to increase although at the time married women constituted less than one-half of the women in the work force.

L. Changes in the First 10 Years

32. Although some brief references to events occurring after 1950 have been made, this may be an appropriate point to review the changes that had taken place in the first 10 years of operation of the Unemployment Insurance Act. Over those years the scheme had not undergone any basic change, with the possible exception of the introduction of Supplementary Benefit. From the commencement of operations, the Unemployment Insurance Commission had devoted almost continuous study in consultation with the Advisory Committee to the extension of coverage to employments originally excluded. The original exclusions were largely by reason of the anticipated and very real difficulties in the application of the plan to certain industries and occupations. Those difficulties could only be resolved as the Commission gained actual experience in the administration of the Act.

33. During the 10 years, coverage was extended to transportation by air, transportation by water, stevedoring, lumbering and logging, professional nursing, public utilities, hospitals and charitable institutions (on an optional basis). During the same period, in keeping with the times, the earnings ceiling of insured employment was progressively raised from $2,000 to $4,800 not without some opposition on each successive increase. (For more detail on the increases in the ceiling see Table 1 in Chapter Three.)

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M. Amendments, 1951 to 1954

34. In 1952 there were further modifications of benefits. The maximum rate of benefit for a claimant with a dependent was increased from $21.00 a week to $24.00 a week. The waiting days, which had been reduced from nine to eight in 1950, were further reduced to five, and provision was made for postponement of waiting days in some circumstances on a second or subsequent claim. A more significant change in that year was an extension of the Supplementary Benefit period by two weeks; i.e., the period was extended to April 15.

35. Effective August 3, 1953, there was one change which may not have been of major proportions, but nevertheless was a departure from a principle contained in the original Act. The amendment provided for the continuation of benefit payments to persons who became ill after having left employment. This was in contrast with the original rule that a claimant must be capable of employment. As a practical matter, the amendment was probably to some extent simply legalizing what was happening in any event.

N. Revision of the Act, 1955

36. In 1955, subject to necessary transitional provisions, the Unemployment Insurance Act, 1940, was repealed and replaced by the Unemployment Insurance Act, a complete revision of the old Act, effective October 2, 1955.

37. While in broad terms the 1955 Act was a continuation of the basic plan adopted in 1940, the changes were of a major character. Contributions were placed upon a weekly rather than on a daily basis. The scale of contributions was revised so that the contributions were a closer approximation to the same percentage of wages in each earnings class. Three new earnings classes were added at the upper level to provide for higher benefits to employees in the higher earnings classes. The change from a daily to a weekly contribution basis undoubtedly solved some problems but it also created new ones.

38. In regard to benefits, major changes were also made—generally designed to make it easier for the claimant to obtain benefit. Before the 1955 amendments the claimant had to establish that he had paid at least 180 daily contributions during the two years preceding the date of claim for benefit of which either:

(a) at least 60 were paid during the 52 weeks preceding the claim (or since the commencement of the immediately preceding benefit year, if less), or

(b) at least 45 were paid during the 26 weeks preceding the claim for benefit (or since the commencement of the immediately preceding benefit year, if less).

39. There was provision for extension of these periods for persons who were incapacitated for work, were in business on their own account, or were in uninsured employment.

40. Under the new Act the claimant had to show that he was unemployed during the week for which he claimed benefit; he was disqualified for receiving benefit for a day for which he failed to prove that he was capable of and available for work and unable to obtain suitable employment. However, the qualifying contributions were related to the number of contribution weeks rather than the number of daily contributions. The new minimum qualifying conditions for benefit were that contributions had been paid in each of 30 weeks during the two years preceding the date of claim, and that at least eight of these 30 weeks were in the year immediately preceding the claim. This entitled the claimant to a basic minimum period of benefit of 15 weeks. Each additional two weeks of contributions in the two years preceding the claim entitled him to a further week of benefit up to a maximum of 36 weeks in all. Previous to the 1955 amendments the maximum was 51 weeks. Under the Act as revised the claimant must show at least 30 weeks for which contributions had been made, but full employment in those weeks was not required. The previous requirement of 180 daily contributions was the equivalent of 30 complete weeks of employment. Under the revision as little as one day of employment in each of 30 weeks might suffice. The rate of benefit would obviously be less but the entitlement to benefit easier to establish.

41. An illustration of the different approach is the following. Before the revision, if a person ordinarily working on a five-day week went on short time of four days a week, under the daily stamp system he received four daily stamps. Over a three-month period this would give him credit for 52 days, or eight and one-half weeks. Under the revision he would be credited with 13 contribution weeks. The conditions for requalifying for benefit were also substantially modified. Before the revision the requirement was 60 days during the last year, or 45 during the last half year or, in each case, since the beginning of the last preceding benefit year, if less. Under the revision the claimant only had to build up a credit of eight additional contribution weeks in the past year or since the beginning of his previous benefit period, if less. He also had to show that contributions were made in each of at least 30 weeks in the two

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years preceding the date of his claim. One safeguard was inserted providing that any contribution weeks that preceded a previous claim could be used on a new claim only if they were within one year of the commencement of the new claim. This was designed to prevent a claimant using the same contributions over and over for benefit without having obtained any further insurable employment.

42. The maximum rate of weekly benefit for a person without a dependent was increased from $17.10 to $23.00, and the maximum rate for a person with a dependent from $24.00 to $30.00.

43. The basis for determining duration of benefit was substantially changed. The original scheme provided for one day's benefit for each five daily contributions in the preceding five years, less one-third of the benefit days taken in the preceding three years. This resulted in a maximum benefit period of 51 weeks; the minimum was arbitrarily set at six weeks. Under the revision, the minimum duration was changed from six weeks to 15 weeks, and the maximum duration reduced from 51 weeks to 36 weeks. Under the original Act, to obtain the maximum benefits of 51 weeks, the claimant would have to show full employment for a five-year period and no claims; i.e., an unbroken period of employment of 260 weeks. Under the revision he qualified for maximum benefit with contributions for 72 weeks within the two years preceding his claim and would be entitled to benefits for 36 weeks. Previously, contributions for 72 weeks gave benefits for less than 15 weeks. Furthermore, he need not show anything like full employment during the 72 contribution weeks.

44. The rules with regard to allowable earnings were also greatly modified. Before the revision a claimant could earn up to $2.00 per day without affecting benefit if the earnings were in an occupation that could be carried on in addition to and outside of the ordinary working hours of his usual employment. Under the revision a scale of allowable earnings related to earnings classes was established. If earnings exceeded this scale, benefit was not denied, but instead, was reduced by the excess of earnings over the allowable amount. The conditions as to the time and manner of obtaining such earnings were eliminated.

45. What was formerly described as Supplementary Benefit was replaced by Seasonal Benefit—an expression destined to lead to confusion. Seasonal Benefit was payable during the period January 1 to April 15. The rates of Supplementary Benefit were 80 per cent or less of the rates of regular benefit; under the revision, the rates of Seasonal Benefit

became the same as the rates of regular benefit. The conditions for receipt of Supplementary Benefit were:

(a) at least fifteen weekly contributions since the preceding March 31; or

(b) a regular benefit period for the claimant terminated after April 15 preceding the date of his claim for Seasonal Benefit.

46. Claimants who qualified for Seasonal Benefit under the condition in paragraph (a) became entitled to two weeks of benefit for each three weeks of contributions since the preceding March 31 subject to the general stipulation that Seasonal Benefit would not in any case extend beyond April 15. For cases not cut off by the termination of the Seasonal Benefit period this meant a minimum of 10 weeks and a maximum of 16 weeks, the whole duration of the Seasonal Benefit period. Claimants who qualified under the condition in paragraph (b) became entitled to Seasonal Benefit equal to the balance of the Seasonal Benefit period.

47. Before the revision there was a waiting period of five days plus the first non-compensable day on each claim. Under the revision this was changed to a waiting period of six days and the non-compensable day was removed. Before the revision the Commission had power to prescribe conditions under which the waiting period could be deferred when a new benefit period began. Under the revision the Commission was given power to waive the waiting period entirely in certain circumstances instead of merely postponing it.

O. Extension of Coverage by Regulation, 1955

48. In addition to the amendments to the Act, there were several extensions of coverage by regulation. The extensions included:

(a) employment in those parts of agriculture concerned with the raising of poultry and egg grading, and the raising of race horses, saddle horses or light harness horses;

(b) employment in horticulture, except certain employments connected with general agriculture or performed in a nursery or greenhouse;

(c) employment in forestry, with the exception of certain casual or temporary employments;

(d) employment as a member of a municipal police force if employment began after December 31, 1955, subject to the consent of the municipality and the concurrence of the Commission.

P. Amendments, 1956

49. Amendments to the Act effective September 30, 1956, provided for the making of regulations for the coverage of fishermen. Fishermen were covered as of April 1, 1957. The conditions for qualifying for benefit on a second or subsequent claim were eased. Before the amendment one of the requirements was at least 30 contribution weeks in the preceding 52 weeks or since the beginning of the last preceding benefit period if that occurred more than 52 weeks before the claim. Under the amendment, this requirement was modified by changing the 30 weeks to 24 weeks.

Q. Amendments, 1957 to 1959

50. Amendments to the Act in November 1957, and May 1958, related to the then well-entrenched Seasonal Benefit. In 1957 the Seasonal Benefit period was extended by one month at each end; i.e., to run from December 1 to May 15. The minimum duration was increased from 10 to 13 weeks for cases not cut off by the termination of the Seasonal Benefit period, and the maximum was increased from 16 to 24 weeks. In 1958, for that year only, there was an extension of the Seasonal Benefit period to June 28, 1958. One other change about that time was the revocation of the married women's regulations at the end of 1957.

51. Amendments to the Act effective September 27, 1959, added two benefit classes. The maximum weekly benefit for a person without a dependent was raised from $23.00 to $27.00, and the maximum for a person with a dependent was raised from $30.00 to $36.00. The maximum duration of benefits was increased from 36 to 52 weeks. Contributions were increased by 30 per cent and the earnings ceiling for coverage was raised from $4,800 to $5,460. Another amendment provided that on a second claim within 104 weeks of a previous claim the benefit rate was not allowed to drop more than one class. This would not at first glance appear to have been a substantial change, but it has, in fact, proved to be a costly provision. Allowable earnings were increased to one-half of the weekly benefit rate.

R. The Act as Amended over 20 Years

52. At this point a comparison of some of the principal features of the Act in its original form and the Act as amended over a period of 20 years is of interest. The basic scheme of the Act as amended

remained the same as that of the original Act, but the series of amendments did introduce significant changes in particular aspects of the plan.

53. As was contemplated in the original Act, coverage was gradually extended to occupations originally excluded as administrative problems were solved. The extensions of coverage brought in transportation by air and by water; stevedoring; lumbering and logging; nursing other than private duty nursing; public utilities; hospitals and charitable institutions (on an optional basis); some parts of agriculture, horticulture and forestry; fishing; provincial employees (on a optional basis); and temporary employees of the federal government.

54. The rules as to entitlement to benefit have undergone a major change. Under the 1940 Act, on a first claim the claimant had to show at least 180 daily contributions in the two years preceding the claim, and on a subsequent claim had to show in addition that at least 60 of these daily contributions had occurred since the last benefit day in the previous benefit year. Under the revised Act the rules are that if a claimant has had no previous benefit period established in the 104 weeks preceding his new claim, he must have at least 30 contribution weeks in the last 104 weeks, eight of which contribution weeks must be in the last 52 weeks; and if the claimant has had a previous benefit period established in the 104 weeks preceding his new claim, he must have at least 30 contribution weeks in the last 104 weeks, 24 of which contribution weeks must be in the last 52 weeks or since his last benefit period began, whichever period is longer, and eight of which contribution weeks must be in the last 52 weeks or since the last benefit period began, whichever period is shorter.

55. The provisions as to duration of benefit have similarly undergone a major change. Under the 1940 Act the claimant was entitled to benefits for a period equal to one-fifth of the contribution days in the five years preceding the claim, less one-third of the benefit days in the three years preceding the claim. The maximum was 51 weeks but this could be attained only if the claimant had an uninterrupted five-year contribution record with no claims in the five years preceding the claim. Under the Act as revised a claimant who has had no claim established in the 104 weeks preceding his new claim is entitled to one week's benefit for every two weekly contributions with a maximum duration of 52 weeks. As he must always have at least 30 weekly contributions in the last 104 weeks in order to qualify at all, the minimum duration is 15 weeks. A claimant who has had a claim established in the 104 weeks prior to his new claim is entitled to one week's benefit

for every two weekly contributions since the date of establishment of his previous claim, again with a maximum of 52 weeks. As he must have at least 24 weekly contributions in this period in order to qualify at all, his minimum duration is 12 weeks.

56. Rate and duration of benefit are now determined on a weekly basis, as are contributions, so that in the extreme case a person can be entitled to benefits on the basis of one day of employment in each of 30 weeks in the 104 weeks preceding the claim. The maximum duration of benefit was reduced to 36 weeks in 1955 but later was restored to 52 weeks. However, a claimant can qualify for the maximum duration now much more easily than under the original Act. The maximum duration of benefits just referred to can now be extended by establishment of a claim for Seasonal Benefit.

57. The preceding paragraphs have touched on some of the important changes relating to coverage, contributions, entitlement to and rate and duration of benefits. There have, of course, been many other changes of minor importance. Under the 1940 Act the first day of unemployment on each claim was a non-compensable day but this rule has now been dropped. Originally there were nine waiting days before payment of benefit commenced; this is now reduced to six. The rules as to allowable earnings have been greatly modified. At the beginning, a claimant was permitted to earn $1.00 per day without affecting his benefit rights but only in an occupation that could be carried on in addition to and outside of the working hours of his ordinary employment. Earnings beyond this amount disentitled the claimant to benefits. Now there is a scale of allowable earnings related to earnings classes and running up to $18.00 per week. If earnings exceed this scale, benefit is not denied; it is reduced to the extent of the excess. Incapacity or unavailability for employment arising out of illness having its onset after commencement of benefit does not now disentitle the claimant as it previously did.

II. ABUSES AND MISUSES

58. Having summarized very briefly some of the principal features of the Act and the regulations from the beginning of the scheme to the present time, some indication of the abuses and misuses that developed over the years will now be given.

59. The wide-spread concern over the dwindling Insurance Fund has quite naturally focused considerable attention on alleged or real contraventions of the letter and spirit of the Act. There is wide-spread

belief that millions of dollars have been paid out of the Fund in circumstances where it was not intended by the framers of the Act that benefit payments would be made. It is intended here to set out some of the facts related to this belief that there have been extensive improper inroads on the Fund.

A. Non-compliance by Employers

60. Before attempting an analysis of unjustified claims upon the Fund it might be worthwhile to refer briefly to the failure of some employers to make the payments to the Fund required by the Act. This too has its effect on the state of the Fund even though of lesser proportion than improper claims. In the early stages of the administration of the Act prosecutions of employers for non-compliance with the Act constituted a relatively large part of the enforcement activities. For example, in 1944-45 there were 109 prosecutions of employers as contrasted with 67 prosecutions of claimants.

61. Some degree of non-compliance with the contribution requirements of the Act in the early stages of its administration is not too surprising, but such non-compliance has been persistent. That the problem continues to be of important proportions is indicated by the following extract from the report of the Unemployment Insurance Commission for the year ending March 31, 1961:

> The incidence of employer delinquency continued at a high level. In the case of 55,845 audits (being 29.6 per cent of the audits completed), arrears were established totalling $2,437,256.09. When an employer has been delinquent on two successive occasions, a 10 per cent penalty is applied and this occurred in 10,891 cases with the levy amounting to $69,001.63. In an effort to keep the outstanding accounts at a minimum, auditors are instructed to make every effort to obtain payment while still at the employer's premises. When the audit division cannot collect an amount of overdue contributions, the case is referred to the enforcement division for Exchequer Court or garnishment action. The overdue contributions outstanding at the end of the year totalled $383,589.43, an increase of $101,426.00 from the previous year end. Of the outstanding accounts, almost half related to bankruptcy cases.

62. The same report contains the following comments:

> The number of registered employers subject to audit continued to rise and reached 398,604 at the year end, an increase of 10,944 over the previous year and an increase of 172,047 since 1951. Notwithstanding the large increase in the number of employers over the past decade, the field audit staff in the same period has increased only slightly from 351 to 368.

63. In the ten-year period the number of registered employers almost doubled and yet the field audit staff increased only from 351 to 368. Even allowing for improved techniques, it is still difficult to understand how an audit staff of almost unchanged size could be expected to handle a job almost doubled in size.

64. Under the 1940 Act the only action available against employers failing or refusing to make the required contributions was prosecution. In the 1955 revision, the provision for prosecution was discontinued and in its place officials of the Commission were given power to impose penalties. At the same time, a fairly simple garnishment and Exchequer Court proceedings were provided. As indicated in the foregoing extract from the Unemployment Insurance Commission's report, much of the enforcement activity with respect to contribution is now based upon the imposition of penalties by officials of the Commission. Over all, the new approach to enforcement of the contribution aspect of the Act seems to have worked well but there would still appear to be some need for provisions permitting prosecutions in glaring cases where the more moderate approach is insufficiently persuasive.

65. The major area of non-compliance by employers is failure to make contributions as required. However, there are other areas where prosecution is provided for under the Act and found necessary. These breaches of the Act have to do with registration as an employer, maintenance and production of records, making returns, etc. In 1960-61 there were 496 prosecutions of employers for infractions in these areas. It appears clear that prosecution for such infractions is used only as a last resort where no other action produces results.

B. Improper Claims, Fraudulent or Otherwise

66. Having referred even though briefly to some problems related to the flow of money into the Fund, attention can now be turned to the rather more difficult problems involved in the flow of money out of the Fund in circumstances where the payment is contrary to the express letter of the Act or its clear intent. The conditions under which a claimant is entitled to receive benefit are clearly set out in the Act and the intent is clear that where those conditions do not exist there is no right to benefit.

67. Nevertheless, it is an established fact that many hundreds of thousands of dollars are paid out of the Fund every year as a result of fraud in varying degrees, and in circumstances where the claimant well

knows that the payment he receives is one not contemplated by the Act. One cannot state the total dollar figure involved with any certainty, but some figures are known and one is free to draw conclusions. It is entirely possible that by reason of public discussion the size of the problem, expressed in dollars, has been magnified out of its true proportions. Even if that be so, it is of sufficient dimensions to cause concern.

68. According to figures provided by the Unemployment Insurance Commission for the year ended March 31, 1961, demonstrably fraudulent claims amounted to $2,268,464. In relation to total claim payments of $514 million, this figure may not appear too startling but it is not a total figure—it is fraud detected and takes no account of undiscovered fraud or payments in circumstances that could not be classed as fraudulent and yet where the payment is contrary to the spirit of the Act.

69. What then are the basic conditions entitling a claimant to benefit? They are:

(1) that he is unemployed,
(2) that he is capable of and available for work, and
(3) that he is unable to obtain suitable employment.

It sounds simple—in practice it is not. Is he in fact unemployed? Is he capable of work? Is he truly available for work? What is suitable employment?

70. A claimant otherwise apparently entitled to benefit is disqualified if he, without good cause,

(1) refuses or fails to apply for or to accept suitable employment,
(2) neglects to avail himself of an opportunity for suitable employment,
(3) fails to carry out written directions of the Commission issued for the purpose of assisting him to find suitable employment,
(4) fails to attend a course of instruction that the Commission had instructed him to attend.

71. The Act does not specify what is suitable employment but does describe certain employments as not suitable, including

(1) work at a plant at which there is a stoppage of work because of a labour dispute,
(2) work in the claimant's usual occupation at wages less than the prevailing rate, or in less favourable conditions than are generally existing,

(3) work in an occupation other than his usual occupation at a lower rate of earnings, or in less favourable conditions than those existing in his usual occupation.

72. The Act goes on to provide that after a reasonable lapse of time, work in another occupation is suitable provided that it is at the prevailing rate for that occupation and the conditions of work are not less favourable than those provided by union agreement or by good employers.

73. A claimant is also disqualified if he loses his job for misconduct, or voluntarily leaves his job without just cause. The disqualification is for a period not exceeding six weeks. In addition to this general rule, providing disqualification for a period not exceeding six weeks (which frequently results only in a delay in receipt of benefits—a very mild penalty), there is a more severe penalty provided under section 65 of the Act where a person makes a false statement or representation in connection with his claim for benefit. In this case he may be penalized up to a maximum of six weeks benefit. This is an actual loss of benefit rather than only a delay in receipt. A claimant disqualified for benefit by an insurance officer for any reason has a right of appeal to a Board of Referees.

C. Claims Procedure

74. Having noted the basic conditions for entitlement to benefit, the basis for disqualification and the right of appeal, attention can now be directed to what actually happens when the insured worker becomes unemployed. He obtains his insurance book from his employer and presents himself at the local Unemployment Insurance Commission office primarily to seek new employment, and, if none is available, to record his claim for benefit. At this point one of the most important controls in the system should operate; that is, the interview to determine employment history, reasons for separation from employment, capability of and availability for employment, and the availability of suitable employment.

75. To check on one of the possible bases for disqualification, an inquiry is sent to the last employer to verify the reason for separation from employment stated by the claimant. The response of employers to this inquiry is generally good but the practice is to process the claim at the expiration of eight days notwithstanding a failure by the employer to confirm the stated reason for separation. A more vigorous follow-up on the request for confirmation of reasons for separation might well result in disclosing more cases of voluntary separation. There is

some evidence of collusion on the part of employers in aiding employees to establish a claim for benefit notwithstanding that the separation from employment was voluntary. The reasons are various. In some cases the employer accepts a pattern of employment chosen by the employee and convenient to the employer. In other cases the employer fears the possibility of libel action if he discloses the true reason for dismissing the employee.

76. It has not been the policy or practice of the Unemployment Insurance Commission to take a very vigorous stand against an employer collaborating with an employee in false statements as to the reasons for separation from employment. The Commission has not prosecuted employers for such activities. The theory appears to be that they should not expose the employer to the possibility of libel actions by former employees. In part the attitude of the Commission may also be based on its desire to maintain the good will of the employers so that job vacancies will be recorded with the employment office.

77. In the year ended March 31, 1961, disqualifications were imposed in 83,809 cases for voluntarily leaving employment. This raises the question whether the penalty is sufficient to accomplish its purpose. Frequently, the disqualification results only in delay in receipt of benefit without decrease in the amount of benefit ultimately paid.

D. Capability of and Availability for Employment

78. Assuming that the question of reason for termination of employment is resolved, what of capability of and availability for work? In times of high employment and low claims load the interview at the employment office can accomplish its purpose with reasonable effectiveness. Conversely, when job vacancies are few and claims are many, the interview tends to lose its effectiveness as a control. There is a natural urge on the part of all concerned to speed up the process and eliminate the formation of queues. The lack of job opportunities makes it more difficult to test in any effective way the genuineness of the availability and desire for employment. The result is that the employment interview quickly becomes simply the recording of a claim for benefit.

79. The personal interview does give a reasonable check on capability, but the reality of the availability for employment is much more difficult to establish. The most effective test is obviously referral to employment but at times when few vacancies are recorded with the local office the problem becomes one of determining a state of mind. In such circumstances the benefit of any doubt must, of course, be given to the person

stating that he is capable of and available for work but unable to obtain suitable employment.

E. Suitable Employment

80. If the local office is in the position of being able to offer employment to the claimant, the question arises: Is the employment "suitable"? The claimant is entitled in the first instance to reject an offer of employment that is not suitable. The Act does describe certain conditions which make the employment not suitable; it does not and probably could not define what employment is suitable.

81. The principle contained in the Unemployment Insurance Act that a worker on becoming unemployed should not immediately be disqualified for receipt of benefit if he refuses an offer of employment that is not suitable, is well established in the unemployment insurance laws of most countries. This safeguard is a reasonable one but it is also open to abuse by persons not genuinely seeking employment. In the year ended March 31, 1961, disqualifications were imposed in 23,056 cases for refusal to apply for employment offered. That the insurance officers imposing the disqualifications were exercising their discretion in a reasonable manner is demonstrated by the fact that of some 3,900 appeals by claimants to Boards of Referees, about 3,600 were disallowed.

82. The Act also provides that after a reasonable interval from the date on which an insured person becomes unemployed, employment is not unsuitable by reason only of the fact that it is at a lower rate of earnings or on conditions less favourable than in the claimant's usual occupation, if it is work at the prevailing rate for the occupation and the conditions of work are not less favourable than those provided by union agreement or by good employers. When vacancies listed with the local employment office are few, it is, of course, difficult to establish whether in fact the applicant is willing to accept suitable employment either in his usual occupation or another occupation. Considerable jurisprudence on the question of suitable employment has been developed over the years in the decisions of the Umpires. The recent trend appears to have been toward giving the benefit of any doubt to the claimant.

F. Disqualifications

83. It is interesting to note the number and type of disqualifications imposed in the year ended March 31, 1961. Of these disqualifications: 87,271 claimants were not available for work; 83,809 left their

employment voluntarily without just cause; 28,135 were disqualified by reason of false statements or misrepresentation; 23,056 refused offers of suitable work; 14,592 lost their employment due to misconduct. In the same period 15,524 claimants appealed the insurance officer's decision to a Board of Referees. The decision of the insurance officer was upheld in 87.7 per cent of the appeals. It is impossible, of course, to determine how many more disqualifications there would have been had all of the facts been known. For example, 28,135 were disqualified for false statements or misrepresentation. How many more instances were there where a false statement or misrepresentation was not discovered?

84. Having reviewed some of the areas where fraudulent or at least improper claims against the Fund are known to exist, it may be well to consider the efforts of the Unemployment Insurance Commission to minimize unjust claims. When the insured worker is registered for employment or benefit, an attempt is made in the interview to determine all of the relevant facts. On each return visit to the office some effort is made to determine that the conditions of entitlement to benefit continue to exist. The extent of the effort depends to some extent on the circumstances existing at the time. If the claim load is heavy the questioning becomes rather perfunctory—the main effort being to speed up the payment of benefit. The activities of the insurance officers in satisfying themselves that the claimant is entitled to benefit are indicated in the disqualifications imposed.

G. The Investigation Division

85. At this point the work of the Investigation Division of the Commission becomes relevant. Before 1955 the enforcement work of the Commission was handled by the Legal Branch. The maximum number of investigating officers up to that time was less than 50, and the number of prosecutions of employers and employees was relatively small. The tempo gradually increased. In 1942-43 there were 20 prosecutions of claimants, and in 1960-61 there were more than 2,000. In 1961 the investigating staff was increased to 122 and further additions are planned. The total number of investigations completed by the Investigation Division in 1960-61 was 72,000, of which some 36,000 were cases of suspected fraud. The estimated figures for 1961-62 are 110,000 investigations including 40,000 cases of suspected fraud. Arising out of the 72,000 investigations in 1960-61, there were 2,522 prosecutions, 1,290 garnishees and 116 Exchequer Court judgments—these figures bearing out the Commission's stated policy of resorting to legal

action only in the more flagrant cases of contravention of the Act. Notwithstanding this policy, in 1960-61 there was an increase of approximately 35 per cent in the prosecution of claimants, perhaps as a result of adding 44 field investigators to the staff.

86. In addition to the legal actions instituted, effective use has been made of Section 65 of the Act which permits the imposition of punitive disqualification when a person makes a false statement or misrepresentation. The penalty is a maximum of six weeks benefits. In 1957-58 such disqualifications were imposed in 8,565 cases disentitling claimants to benefit payments of $236,767. In 1960-61 disqualifications were imposed in 30,044 cases involving $574,450.

87. The Investigation Division follows two principal approaches—spot checking, and formal investigation. Spot check investigations are made of active claimants selected either at random or by a specific employment or geographical category. Formal investigations are made where there is evidence or suspicion of fraud. Of the 34,253 spot checks made in 1960-61, 4.1 per cent resulted in disqualifications, and 19.1 per cent led to formal investigations. Of the formal investigations, 44 per cent resulted in the imposition of a penalty under section 65, 5.5 per cent resulted in prosecution, and 20 per cent in warning letters. Comparatively recently the Division extended its activities to interviewing employers as to the reasons for termination of the claimant's employment. This activity is of too recent origin to indicate positive results.

88. The recent doubling of the investigation staff would suggest that until comparatively recently there was a lack of recognition of the size of the problem, or a policy of not enforcing the provisions of the Act with real vigor. It is now evident that the public and the courts are very conscious of the problem and that there is a strong feeling against improper claims against the Fund. This reaction against improper claims relates both to the clearly fraudulent claims and to those where there is a serious doubt as to the reality of the unemployed status and the desire for work, or of the availability for work. It is this latter category of apparent compliance with the letter of the Act but doubtful compliance with its spirit that presents the more difficult problems of enforcement.

89. Of all of the provable fraudulent claims against the Fund, some 80 per cent are based on failure to disclose earnings. The extent of the attempts to defraud the Fund through this device suggests that the problem requires some special action. This is not to suggest that the

Commission, through its Investigation Division, is not trying to discover cases of failure to disclose earnings and to deal adequately with them; it does raise the question whether some further action is required. This would seem to be an area where efforts might be expended more usefully on prevention of fraud than on prosecution.

90. It is an established fact that the Insurance Fund has been persistently subjected to fraudulent claims and claims bordering on fraud. Some indication of the extent of the problem is available in the most obvious type of fraud; e.g., failure to disclose earnings. The extent of the inroads on the Fund in the other category where the problem is largely one of determining a state of mind, can only be a matter of conjecture. Is the claimant really seeking and unable to obtain employment? Is he really capable of and available for employment? These questions are much more difficult to cope with than the more obvious false representations, and in at least certain respects are more serious.

Chapter Three

ANALYSIS OF FINANCIAL OPERATION OF THE UNEMPLOYMENT INSURANCE ACT

1. An analysis of the operation of the unemployment insurance plan is, essentially, a history of the revenue and the benefit payments. These will be examined separately, noting changes in the plan that had a significant effect on them and also touching briefly on the effect of economic and employment trends. Revenue and benefit payments will then be compared on the basis, not only of absolute amounts, but also on the basis of some significant indexes.

I. REVENUE

2. Revenue of the plan comes from four sources (ignoring fines and penalties):

A. Contributions by insured persons.
B. Contributions by employers of insured persons.
C. Contributions by the federal government.
D. Interest earnings on the Unemployment Insurance Fund.

A. Contributions by Insured Persons

3. Under the plan, each insured person is required to contribute in respect of each week in which he performs any insured employment. The amount of the contribution required depends upon his earnings class for the week. Under the original plan, if a person worked for only part of a week he was required to contribute one-sixth of the weekly contribution for each day worked, the earnings class being determined on the basis of his weekly rate of earnings for full-time

Table 1

WEEKLY EARNINGS CLASSES AND WEEKLY CONTRIBUTION RATES FOR EMPLOYEES

Period July 1, 1941—Oct. 3, 1948		Period Oct. 4, 1948—July 2, 1950		Period July 3, 1950—Oct. 1, 1955		Period Oct. 2, 1955—Sept. 26, 1959		Period Sept. 27, 1959 to date	
Earnings Class	Weekly Contrib.	Earnings Class	Weekly Contrib.	Earnings Class	Weekly Contrib.*	Earnings Class	Weekly Contrib.	Earnings Class	Weekly Contrib.
$	¢	$	¢	$	¢	$	¢	$	¢
0– 5.40	9	0– 5.40	9						
5.40– 7.50	12	5.40– 7.50	12						
7.50– 9.60	15	7.50– 9.60	15	0– 9.00	18	0– 9.00	8	0– 9.00	10
9.60–12.00	18	9.60–12.00	18						
12.00–15.00	21	12.00–15.00	21	9.00–15.00	24	9.00–15.00	16	9.00–15.00	20
15.00–20.00	24	15.00–20.00	24	15.00–21.00	30	15.00–21.00	24	15.00–21.00	30
20.00–26.00	30	20.00–26.00	30	21.00–27.00	36	21.00–27.00	30	21.00–27.00	38
26.00 and up (46.15)**	36	26.00–34.00	36	27.00–34.00	42	27.00–33.00	36	27.00–33.00	46
		34.00 and up (60.00)**	42	34.00–48.00	48	33.00–39.00	42	33.00–39.00	54
						39.00–45.00	48	39.00–45.00	60
				48.00 and up (92.31)**	54	45.00–51.00	52	45.00–51.00	66
						51.00–57.00	56	51.00–57.00	72
						57.00 and up (92.31)**	60	57.00–63.00	78
								63.00–69.00	86
								69.00 and up (105.00)**	94

*Includes 6¢ weekly for Supplementary Benefit

**Earnings ceiling for coverage for all employees other than those paid on a daily, hourly or piece-work basis

employment; i.e., six times his earnings for the day. Under the plan as it is now, and has been since October 2, 1955, a person who works for only part of a week is required to make a full week's contribution but the earnings class is determined on the basis of his actual earnings in the week rather than his weekly rate of earnings for full-time employment.

4. The earnings classes and the contribution rates have changed from time to time over the years as a result of amendments to the Act, the changes being due principally to changes in the wage levels of the insured population. Table 1 shows the earnings classes that have been in effect from time to time since the start of the plan, together with the weekly contribution required from employees in each class.

5. The main points brought out by this table are the addition of new classes at the upper end from time to time, the increase in contributions in 1950 by reason of the introduction of Supplementary Benefit, the decrease in contributions in 1955 for the lower earnings classes at the time of the general revision of the plan, and the increase for all classes in 1959. The contrast of twelve classes at the present time with eight in 1941 and seven from 1950 to 1955 is also notable.

6. The annual revenue of the plan arising from contributions by insured persons depends upon the following factors:

(a) the weekly contribution required in each wage class, and
(b) the total number of weeks of contribution made during the year in each class.

The first factor is, of course, fixed by the terms of the plan; the second depends upon the number of contributors in each class and the average number of weeks of contribution per person per year in each class. These factors vary by reason of economic conditions and by reason of the employment characteristics of the insured population. Economic conditions affect the availability and duration of jobs and the rates of pay. The employment characteristics of the insured population are such factors as: the extent of the movement into and out of insured employment during the year (partly caused by seasonal influences); the fact that some persons seek part-time employment only; the fact that some persons take holidays or are unavailable for work for certain periods.

7. It is apparent that in Canada a large proportion of those who have some contact with insured employment during the year do not make insured employment their sole way of earning a living. They spend considerable periods in uninsured employment or in own-account work,

Table 2

DISTRIBUTION (%) OF CONTRIBUTORS BY WEEKLY EARNINGS CLASS: ILLUSTRATIVE YEARS

Earnings Class	Fiscal Years			Earnings Class	Fiscal Years		Earnings Class	Calendar Years		
	1943–44	1946–47	1949–50		1951–52	1954–55		1956	1958	1960
$	%	%	%	$	%	%	$	%	%	%
0– 5.40 5.40– 7.50 7.50– 9.60	5.1	2.3	1.1	0– 9.00	0.2	0.1				
9.60–12.00	3.3	1.8	0.7							
12.00–15.00	7.0	4.5	1.8	9.00–15.00	1.3	0.6	0– 9.00 9.00–15.00	1.4	1.2	1.3
15.00–20.00	13.5	12.3	6.0	15.00–21.00	5.2	3.1	15.00–21.00	3.7	3.1	2.6
20.00–26.00	19.2	19.0	13.0	21.00–27.00	8.3	5.8	21.00–27.00	5.9	5.2	5.1
26.00–34.00	51.9	60.1	17.7	27.00–34.00	12.2	9.5	27.00–33.00	7.8	7.1	6.3
34.00 and up			59.7	34.00–48.00	28.7	23.8	33.00–39.00	9.6	8.5	7.0
							39.00–45.00	10.6	9.6	7.6
				48.00 and up	44.1	57.1	45.00–51.00	11.5	10.9	8.2
							51.00–57.00	15.7	15.3	7.8
							57.00–63.00			9.5
							63.00–69.00	33.8	39.1	12.6
							69.00 and up			32.0

or simply withdraw from the labour force. Examples are the farmer who gets some work as a logger in the winter, the housewife who works in insured employment two or three days a week, or two or three months in a year, the pensioner who takes the odd piece of work as the opportunity offers and the student who works only a few weeks in the summer. These characteristics all affect the extent of the contribution under unemployment insurance; they are to a large extent, but not completely, independent of short-term variation in economic conditions.

8. Table 2 shows, for specimen years, the proportion of the total number of contributors in each earnings class.

9. The period since the inception of the plan in 1941 has been, in general, a period of rising wages. The illustrative figures in Table 2 reflect this fact in the decreasing proportion of contributors in the lower earnings classes, the increasing proportion in the top class and the addition of new classes from time to time. The proportion of contributors in the top class is also influenced by the existence of an earnings ceiling for coverage; i.e., the excepting from compulsory coverage of all persons whose earnings exceed a specified annual rate (the "earnings ceiling").

10. From the start of the plan in 1941, until 1948, the top earnings class was "$26.00 and up". The proportion of contributors in that class rose from 36 per cent in the fiscal year 1941-42 to 68 per cent in 1947-48. In 1948, a new class was added comprising all those earning $34.00 weekly and up; the proportion of the total number of contributors in this class in 1949-50 was 60 per cent. The classes were revised again in 1950, the new top class being "$48.00 and up". In 1951-52, 44 per cent of the contributors were in this class and the proportion rose to 57 per cent in 1954-55. A further change was made in 1955 adopting "$57.00 and up" as the top class. There were 34 per cent of the contributors in this class in 1956, rising to 51 per cent in 1959. A change in 1959 made the new top class "$69.00 and up" which included 32 per cent of the contributors in 1960.

11. The earnings ceiling was set at $2,000 a year ($38.46 weekly) when the plan came into effect in 1941. Thus the top class comprised only persons earning between $26.00 and $38.46 a week. In January 1942, coverage was extended to persons whose earnings exceeded that ceiling by reason of war work. Also, all hourly-paid workers were included if their basic rate of pay did not exceed 90¢ an hour.

12. In September 1943, the earnings ceiling was raised to $2,400 ($46.15 weekly) for salaried workers and was removed entirely for

Table 3

AVERAGE ANNUAL NUMBER OF WEEKS OF CONTRIBUTION PER CONTRIBUTOR IN EACH WEEKLY EARNINGS CLASS: ILLUSTRATIVE YEARS

Earnings Class	Fiscal Years			Earnings Class	Fiscal Years		Earnings Class	Calendar Years		
	1943–44	1946–47	1949–50		1951–52	1954–55		1956	1958	1960
$	Wks.	Wks.	Wks.	$	Wks.	Wks.	$	Wks.	Wks.	Wks.
0– 5.40 5.40– 7.50 7.50– 9.60	21.7	20.5	22.1	0– 9.00	22.6	26.9				
9.60–12.00	28.2	26.4	27.6							
12.00–15.00	31.1	28.6	24.9	9.00–15.00	25.7	26.6	0– 9.00 9.00–15.00	12.5	12.9	11.4
15.00–20.00	34.7	31.5	29.4	15.00–21.00	27.3	27.8	15.00–21.00	22.0	21.4	20.2
20.00–26.00	37.1	35.4	33.8	21.00–27.00	30.4	29.5	21.00–27.00	26.8	25.9	25.2
26.00–34.00	40.4	38.9	36.4	27.00–34.00	33.7	32.5	27.00–33.00	30.1	29.1	30.3
34.00 and up			40.6	34.00–48.00	35.8	35.4	33.00–39.00	32.9	31.6	32.6
							39.00–45.00	35.5	33.9	33.8
				48.00 and up	40.9	40.4	45.00–51.00	37.7	36.1	36.1
							51.00–57.00	39.3	37.5	37.7
							57.00–63.00			40.0
							63.00–69.00	45.3	44.9	39.5
							69.00 and up			44.6

persons paid on an hourly, daily, weekly, piece or mileage basis. In October 1946, a ceiling was reimposed for persons paid on a weekly basis; this was set at $3,120 a year ($60.00 weekly).

13. In January 1948, the earnings ceiling was raised to $3,120 for salaried workers; in July 1950, it was raised to $4,800 a year ($92.31 weekly) for salaried workers and weekly wage earners; and in September 1959, to $5,460 a year ($105.00 weekly).

14. The existence of an earnings ceiling caused persons to move out of the plan when they reached the ceiling; this tended to reduce the concentration in the top class. On the other hand, each increase of the earnings ceiling had the effect of bringing under the plan additional persons in the top earnings class, thus reversing the earlier effect. The concentration of contributors in the top class, as it existed from time to time, was thus influenced strongly by the earnings ceiling on coverage as well as by the upward movement from lower classes resulting from wage increases. The concentration was reduced from time to time by the adoption of new earnings classes—usually at the same time as the adoption of a higher earnings ceiling. Had there been no earnings ceiling in effect, the concentration of contributors in the top class would have come about more rapidly than it did, possibly leading to new earnings classes at an earlier date.

15. Although there has been an earnings ceiling for coverage since the plan has been in effect, there has also been a provision enabling a person to elect to continue to be covered and to make contributions after his earnings exceed the ceiling. In 1941, such election could be made by a person who had a record of at least 260 daily contributions as an insured person. In 1946, this requirement was reduced to 200 daily contributions within the five years preceding the time that the earnings rise above the ceiling. In 1950, the requirement was reduced to 180 days of contribution in the two years preceding the time that earnings first rise above the ceiling; it continues in approximately the same terms to the present time.

16. Table 3 shows, for the same specimen years used in Table 2, the average number of weeks of contribution per contributor per year for each earnings class.

17. This table shows that there is a strong correlation between the earnings class and the average number of weeks of contribution per year. In 1943-44, the average ranged from 21.7 weeks in the lowest three classes to 40.4 in the top class (then "$26.00 and up"). In 1949-50, the range was similar: from 22.1 weeks to 40.6 weeks. In 1960, the

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average ranged from 11.4 weeks in the lowest class to 44.6 weeks in the top class. The pattern after October 1955, is influenced by the change in contribution system; this is commented on later.

18. Taking the contributors as a whole, the average number of weeks of contribution per person per year has remained remarkably stable. This is illustrated by Table 4.

Table 4

AVERAGE ANNUAL NUMBER OF WEEKS OF CONTRIBUTION PER CONTRIBUTOR

Year	Average Number of Weeks of Contribution
1943-44	37.0
1947-48	36.4
1951-52	36.7
1954-55	37.3
1957	37.5
1958	37.4
1959	37.0
1960	37.7

19. The fact that the average number of weeks of contribution is only about 37 a year illustrates the fluidity of the insured population. The average does not seem to be much influenced by wide swings in unemployment, so the rather low figure must be due to the movement of workers into and out of insured employment during the year. This could result from the seasonal influences and also from the movement of some groups into and out of the labour force; for example, students, married women, retired persons.

20. Looking only at male renewal insured persons (i.e., male insured persons who had some record of insured employment prior to the year in question), Table 5 shows a classification according to the annual number of weeks of contribution in five illustrative years.

21. This table, being confined to renewal insured persons, eliminates the effect of those who enter insured employment for the first time during the year. Also, since it relates to men only, it illustrates the contribution pattern of the most stable group of the labour force. Only

Table 5

DISTRIBUTION OF MALE RENEWAL INSURED PERSONS BY NUMBER OF WEEKS OF CONTRIBUTION

Annual No. of Weeks of Contribution	Proportion (%) of Male Renewal Insured Persons				
	Fiscal Year			Calendar Year	
	1946-47	1949-50	1953-54	1956	1958
	%	%	%	%	%
0	2.97	4.17	2.45	1.92	3.00
1–12	10.12	9.69	9.61	8.15	9.16
13–24	9.30	8.93	9.98	10.47	12.17
25–36	12.43	11.18	13.03	12.94	12.87
37–48	25.57	20.68	23.93	17.04	16.22
49–52	39.61	45.35	41.00	49.48	46.58
	100.00	100.00	100.00	100.00	100.00

about 40 per cent had a full year's employment (49 to 52 weeks of contribution) in 1946-47; the proportion was 45 per cent in 1949-50 and 41 per cent in 1953-54. The corresponding proportion was somewhat higher in 1956 and 1958 but this was due in part, at least, to the change made in 1955 whereby a "week of contribution" is evidence of some work in insured employment but not necessarily a full week. About two-thirds of the male renewal insured persons contribute for 37 weeks a year or more; this proportion has remained fairly constant over the years.

22. The fact that less than half of the insured population works for the full year, even in times of high employment, further illustrates the fluidity of the insured population. A very large proportion must depend on activities other than insured employment as part of their working pattern.

23. The amendment of October 1955, put into effect a system of contribution on a weekly basis in place of the former system which was essentially on a daily basis. As mentioned earlier, under the plan as it existed before October 1955—

(a) the earnings class was determined on the basis of the weekly rate of earnings for full time employment, and

(b) the contribution required for part of a week was one-sixth of a full weekly contribution for each day worked.

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As the plan was revised in 1955—

(a) the earnings class was determined on the basis of the actual earnings in the week, and

(b) a full weekly contribution was required for each week in which there was any insured employment.

24. The distribution of contributors by earnings class was considerably affected by this change, although it would affect only weeks in which an insured person works less than a full working week. For example, as a result of the change, an employee who is paid at the rate of $15.00 daily would be classed in the top wage class if he worked for a full week; however, if he worked only two days, his earnings would be $30.00 and he would make a full week's contribution for the class $27.00-$33.00 weekly rather than two-sixths of a full week's contribution in the top class as formerly. Under current rates of contribution this means a contribution of 46¢ as compared with a contribution of 31¢ (two-sixths of 94¢). Thus a higher contribution would result but it would carry with it credit for a full week of contribution rather than two days, thus easing the qualification rules, particularly for those on the fringe of the labour market.

25. As a result there is a tendency for the distribution of contributors by earnings classes to show higher proportions in the lower classes than was the case prior to 1955 and for the average number of weeks of contribution to rise. The figures reflect this change; however, other influences were at work and it is not possible to isolate the effect of any single cause.

26. So far as contributions by insured persons are concerned, the history of the plan shows the following main features:

(a) Rising wage levels and a steady movement upwards through the earnings classes. This led to a larger and larger proportion of the insured population being concentrated in the top class and to the addition of new classes from time to time to subdivide the top class.

(b) Increases in the earnings ceiling for coverage, also a result of the trend in (a).

(c) Strong positive correlation between earnings class and number of contributions per year.

(d) Extensive movement into and out of insured employment with less than half the number of contributors making contributions for a full year.

(e) The change from a daily basis of contribution to a weekly basis in 1955.

(f) Little change from year to year in the average number of weeks of contribution per person per year.

B. Contributions by Employers of Insured Persons

27. Throughout the history of the plan, employers have been required to contribute at the same time but not always in the same amount as their employees. In the original Act of 1940, employers had only four different rates of contribution compared with eight for employees. The rate was 18¢ for the lowest class; 21¢ for the second class; 25¢ for the third, fourth and fifth classes; and 27¢ for the remaining three classes. The employer's contribution was lower than that of employees in the top two classes but was higher than the employee's contribution for the other classes.

28. The result of this particular contribution pattern for employers (having in mind that in the lowest class the employer was required to pay not only 18¢ on his own behalf but also the 9¢ required of employees) was that the employer's contribution was very nearly uniform for all classes. This plan was adopted, we understand, as compared with a graded contribution, to remove what might otherwise have been an obstacle, although a minor one, to the grant of wage increases by employers. An increase in wages would have but little effect on the unemployment insurance contribution the employer was required to pay.

29. The particular rates were set with the intention of having the employers' contribution equal, in total, the employees' contribution. This required some assumption to be made concerning the distribution of the contributors by earnings class and the number of contributions to be expected in each class. To the extent that the actual distribution differed from the original assumptions, the total employers' contribution would, of course, fail to match the total employees' contribution.

30. The fact that the employers may have contributed more or less than the employees in a particular earnings class does not, of course, affect the general pattern of financing so long as the total contribution by employers as a group is equal to the total contribution by employees, and so long as the benefit rates are determined only by reference to the employees' contributions. It was not necessary for contribution revenue to match benefit payments class by class. However, for a particular employer having most of his employees in the upper wage classes, the total contribution required under this system would be less than under a

system requiring the employer to match his employees' contributions class by class.

31. As experience developed in the early years of operation, the top earnings class showed a proportion of the insured population and a proportion of the total number of weeks of contribution that considerably exceeded the original assumptions. The result was that, from the outset, the total employers' contribution fell short of matching the total employees' contribution. By March 31, 1945, it was estimated that the revenue of the Fund was some 6.1 per cent lower than it would have been had the employer contributions been equal class by class to those specified for employees. Further, it was estimated that by March 31, 1947, there would have been an additional $29 million in the Fund had the employers been required to contribute equally, class by class, with employees.

32. An amendment, effective October 1948, raised the employer's rates of contribution in the top three classes to make them equal to the employee's rates, though for the lower earnings classes the employer's contribution was still in excess of that required from employees. The revision in 1950 made the employer's rate equal to the employee's in each class, and this is still the case.

33. So far as the revenue from employers' contributions is concerned, although it is affected by the same influences noted for employees' contributions, the following special features are notable:

(a) Before 1948, the employer's contribution was less than the employee's contribution in the top two classes. By reason of the unexpected concentration of the insured population in these classes, the employers' contribution in total fell short of matching the employees' contribution. Had the employer's rates of contribution been the same as the rates prescribed by the Act for employees, the Fund would have been some $29 million larger by March 31, 1947.

(b) The original pattern of employer's contribution avoided any significant increase in the contribution consequent upon an increase in wage rates.

(c) It was not essential that contribution revenue balance the benefit payment, class by class; consequently the fact that the contribution pattern for employers differed from that for employees was of no significance to employees, so long as the total employers' contribution was equal to the total employees' contribution.

C. Contributions by the Federal Government

34. The government contribution to the plan has been of four kinds. The first is the regular contribution in an amount equal to one-fifth of the combined employer-employee contributions. This has applied throughout the history of the plan and requires no special comment. It would be affected by all the factors that influence the employees' and employers' contributions.

35. The second kind of contribution by the government related to the Armed Forces. As part of the rehabilitation program for members of the Armed Forces, provision was made for permitting military service to count as insured employment for each veteran who obtained insured employment beyond a specified minimum amount after his discharge. For each such case the government made a contribution to the plan equal to the total employer-employee contribution that would have been made, had the veteran's period of military service subsequent to July 1, 1941, been insured. These contributions were substantial over the years. None have been made with respect to military service subsequent to 1955. Table 6 shows the year by year contribution under this head.

Table 6

SPECIAL CONTRIBUTIONS BY GOVERNMENT IN RESPECT OF MILITARY SERVICE

Fiscal Year	Contribution
	$'000
1943-44	87
44-45	562
45-46	1,923
46-47	9,767
47-48	20,751
48-49	18,465
49-50	5,876
1950-51	3,837
51-52	2,283
52-53	2,276
53-54	1,142
54-55	2,386
55-56	1,495
56-57	720
57-58	558
58-59	58

36. The special contributions shown in the table are, of course, of the same character as employer-employee contributions so far as the plan is concerned; they are noted here only by reason of the distorting effect that they might have on the year-by-year revenue.

37. The third type of contribution by the government relates to Supplementary Benefit as adopted in 1950. Supplementary Benefit was provided in four different classes (see par. 84). A special contribution was required from employees and employers with respect to Classes 1 and 2. The government undertook to contribute one-fifth the sum of such employer-employee contributions and, in addition, to bear the cost of the benefit in these two classes, paid prior to March 31, 1952, to the extent that the contributions otherwise required should prove to be insufficient. There is no indication in the statute to the effect that this guarantee would have been extended beyond March 31, 1952, if required. It seems likely that the guarantee was provided until some experience had developed to enable one to judge the adequacy of the special contribution. There was, in fact, no guarantee with respect to Supplementary Benefit paid after March 31, 1952. In actual experience, no contribution was required from the government in respect of the guarantee.

38. The full cost of Supplementary Benefit for Classes 3 and 4 was to fall on the government and Table 7 shows the amounts contributed by the government for this purpose during the years that Classes 3 and 4 were in effect.

Table 7

GOVERNMENT CONTRIBUTION FOR SUPPLEMENTARY BENEFIT CLASSES 3 AND 4

Fiscal Year	Contribution
	$
1949-50	Nil
50-51	1,791,484
51-52	37,150
52-53	800
53-54	673
54-55	321

39. The fourth type of government contribution to the plan is under the head of administrative expenses. From the outset of the plan, the full amount of administrative expenses has been met by the govern-

ment from its general sources of revenue, and no part of this expense has been charged to the Unemployment Insurance Fund. Table 8 shows the annual expenditure in respect of the administrative costs of the Unemployment Insurance Commission. This includes, after 1946-47, the cost of operating the National Employment Service.

Table 8

ADMINISTRATIVE EXPENSES
UNEMPLOYMENT INSURANCE COMMISSION

Fiscal Year	Expenses
	$'000
1941-42	2,344
42-43	4,657
43-44	5,171
44-45	5,113
45-46	6,185
46-47	7,496
47-48	17,640
48-49	18,965
49-50	20,386
1950-51	21,905
51-52	23,520
52-53	24,955
53-54	26,097
54-55	28,269
55-56	26,622
56-57	28,983
57-58	32,444
58-59	35,290
59-60	35,869
1960-61	42,112
61-62	45,935

40. A comparison of these figures with the normal revenue from contributions, including the special contributions for Supplementary Benefit year by year, shows that if the administrative expenses were to be paid from the Unemployment Insurance Fund, the amount required would represent about 13 per cent of the normal contribution revenue.

41. So far as government contributions are concerned, the principal points are:

(a) The government has contributed an amount equal to one-fifth of the employer-employee contributions.

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(b) The government has borne the full cost of Supplementary Benefit, Classes 3 and 4.

(c) Until March 31, 1952, the government guaranteed to contribute the excess of the cost of Supplementary Benefit, Classes 1 and 2 over the special contribution revenue provided for that benefit. (No payment needed.)

(d) The government has borne the full cost of administration of the plan.

(e) In respect of certain military service, the government has contributed an amount equal to the employer-employee contribution that would have been made had the service been insured. Such contributions were sometimes in large lump sums covering several past years. There is, therefore, some distortion in the revenue figures for a few years following World War II.

D. Interest on the Fund

42. When the plan was put into effect in 1941, it was expected that a fund would be built up initially even if unemployment experience were closely parallel to that used as a basis for the original financial structure. The plan required an insured person to have a minimum of 180 days of contribution before he could qualify for benefits. Thus, contributions having commenced in July 1941, no one could possibly qualify for benefit until early in 1942. By that time the Fund would have accumulated more than six months of contribution. Further, the benefit formula provided benefit for a period equal to one-fifth of the number of days of contribution in the preceding five years less one-third of the number of days of benefit in the preceding three years. Thus an insured person could not qualify for maximum benefit until he had contributed for at least five years. In general, this formula would have the effect of causing the potential liability in the early years of operation to be somewhat less than it would be when the plan fully matured. It was also expected that there would always be some assets remaining in the Fund and thus some interest revenue would be expected every year.

43. In the original financial structure, an allowance was made for investment income equal to the revenue produced by a 2 per cent increase in the average number of weeks of contribution per annum per person. The actual investment income, year by year, is shown in Table 10 on page 67, in comparison with the total contribution revenue.

44. By reason of the rapid growth of the Fund, the investment income has been a much more important factor in revenues than was originally expected, rising to as much as 14 per cent of the ordinary revenue. Over the history of the Fund to March 31, 1961, interest has been about 8½ per cent of the contribution revenue. This compares with the 2 per cent allowed originally.

45. In summary, interest revenue has been more important than expected in the financial history of the Fund, due to the long period of growth in the Fund's assets.

E. Total Revenue

46. Tables 9 and 10 show, year by year, the total revenue from the main sources discussed above. These figures are greatly influenced by the normal growth in the insured population. So far as the financial structure of the plan is concerned, however, the important thing is the expected annual revenue per insured person as compared with the expected annual benefit cost per insured person. If these are in proper relationship the financial structure will be sound regardless of growth or shrinkage in the insured population, so long as that growth or shrinkage does not alter the contribution and claim pattern.

47. In developing an index of revenue per person it is necessary to determine the number of persons to be used. The following groups must be considered:

(a) Persons who contributed during the year.

(b) Persons who drew benefit or served some of the waiting period during the year but did not contribute.

(c) Persons who did not contribute, draw benefit or serve any part of the waiting period during the year but who retain some potential rights under the plan on the basis of past contributions.

48. As a practical matter, those under item (c) must be ignored. They include all those who have withdrawn from the labour market permanently, those who are engaged in own-account work or uninsured employment and those who are unemployed and have exhausted their benefit rights. No way is open to obtain a count of those who will return to insured employment in the future and get the benefit of past contributions. We must, therefore, confine attention to those under items (a) and (b). This group is made up of all those who have had financial contact with the plan during the year and for convenience will be referred to as the "contact population". It includes persons who are

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Table 9

CONTRIBUTION REVENUE AND ADMINISTRATIVE EXPENSES UNDER UNEMPLOYMENT INSURANCE ACT

Fiscal Year	Contributions by Employers and Employees[a]	Contributions by Government		Administrative Expenses[c]
		Special[b]	$\frac{\text{Col. (2)}+\text{Col. (3)}}{5}$	
	$'000	$'000	$'000	$'000
1941–42	36,436	—	7,287	2,344
42–43	57,435	—	11,487	4,657
43–44	61,649	72	12,344	5,171
44–45	62,321	1,408	12,746	5,113
45–46	60,965	1,602	12,513	6,185
46–47	67,876	8,139	15,203	7,496
47–48	66,239	17,292	16,706	17,640
48–49	84,201	15,387	19,918	18,965
49–50	98,809	4,897	20,741	20,386
1950–51	125,586	3,198	25,757	21,905
51–52	152,009	1,903	30,782	23,520
52–53	153,288	1,897	31,037	24,955
53–54	157,723	951	31,735	26,097
54–55	156,871	1,988	31,772	28,269
55–56	168,484	1,245	33,946	26,622
56–57	187,390	600	37,598	28,983
57–58	191,935	465	38,480	32,444
58–59	185,439	49	37,097	35,290
59–60	228,616	[d]	45,723	35,869
1960–61	275,273	—	55,055	42,112
61–62	277,789	—	55,558	45,935

[a]Fines and penalties not included; includes contributions of 2¢ a day for Supplementary Benefit starting in 1950.

[b]Paid by government in respect of certain service in Armed Forces; includes $940,000 arrears of contribution paid by government in respect of certain government employees in 1944.

[c]Expenses of administering National Employment Service included only after 1946–47.

[d]Less than $500.

very near to group (c); e.g., a person may have drawn only a few days of benefit in the year before dropping out of the plan. It also includes "new entrants"; i.e., those who have entered the plan during the year for the first time. The "contact population" can be determined from the "actuarial sample"—a continuous 5 per cent sample of insurance books issued.

49. At any particular time, the number of persons covered by unemployment insurance is made up of those in insured employment at that time together with those who are drawing benefit at that time

Table 10

CONTRIBUTIONS, NET INVESTMENT INCOME AND OTHER REVENUE: UNDER UNEMPLOYMENT INSURANCE ACT

Fiscal Year	Contribution Revenue, Employer, Employee, Government	Net Investment Income	Fines and Penalties	Total	Ratio of Net Investment Income to Normal Contribution Revenue*
	$'000	$'000	$'000	$'000	%
1941–42	43,723	269	—	43,992	0.6
42–43	68,922	1,840	1	70,763	2.7
43–44	74,065	3,972	1	78,039	5.4
44–45	76,475	6,196	2	82,673	8.3
45–46	75,080	6,117	2	81,199	8.4
46–47	91,218	7,530	4	98,752	9.2
47–48	100,237	9,561	5	109,803	12.0
48–49	119,506	12,113	8	131,627	12.0
49–50	124,447	14,391	18	138,856	12.1
1950–51	154,541	15,631	35	170,206	10.4
51–52	184,694	19,047	33	203,773	10.4
52–53	186,221	22,951	36	209,208	12.5
53–54	190,409	26,095	37	216,540	13.8
54–55	190,632	26,378	37	217,047	14.0
55–56	203,676	25,005	31	228,712	12.4
56–57	225,589	26,039	44	251,672	11.6
57–58	230,880	23,776	47	254,702	10.3
58–59	222,584	11,610	48	234,242	5.2
59–60	274,339	6,925	52	281,315	2.5
1960–61	330,328	2,308	63	332,698	0.7
61–62	333,347	3,216	90	336,653	1.0

*Normal Contribution Revenue is that shown in the second column less 120 per cent of special government contribution as shown in the third column of Table 9.

(including those serving the waiting period). This may be called the "covered population". The covered population is determined in June of each year when all insurance books are renewed and is estimated month by month thereafter to the next book renewal date on the basis of counts of the claimants and estimates of the number at work. An average of the monthly figures gives the average covered population for the year.

50. The "contact population" will always exceed the "covered population". In the former figure, a person is included if he is within the plan at any time during the year, whether for the full year or only

part of the year. In the latter figure, a person who is within the plan for, say, six months, would be counted as one-half. Two persons working half the year in insured employment and half the year in uninsured employment would appear as two in the contact population but only as one in the covered population.

51. The difference between the two figures is to some extent a measure of the movement into and out of insured employment on the part of the labour force. It is also a function of the terms of the plan and the economic conditions. Persons who have exhausted their benefits but are unable to obtain employment will disappear from the covered population even though they may desire to remain in insured employment. They will be included in the contact population until they have been without insured employment or benefit for a full calendar year.

52. In studying figures showing the revenue from year to year, the best basis of comparison is achieved by eliminating so far as possible special or unusual items of revenue. The "normal contribution revenue", as referred to herein, is intended to represent the revenue arising from contributions by employers, employees and the government exclusive of—

(a) Special government contributions in respect of military service.

(b) A special government contribution in 1944 in respect of certain government employees.

(c) Special government contributions in respect of Supplementary Benefit, Classes 3 and 4.

(d) Fines and penalties.

53. The government contributions for military service, although generally of the nature of employer-employee contribution, require special treatment since they were concentrated in certain years although applying in fact to a period of several years.

54. Table 11 compares the contact population and the covered population year by year and also shows the normal contribution revenue per person per year in the insured population.

55. Looking first at the population figures, one interesting feature is the narrowing spread between the covered population and the contact population year by year. In the 1940's, the contact population was of the order of 30 per cent to 40 per cent larger than the covered population. Starting in 1950, the ratio of contact population to covered

Table 11

INSURED POPULATION AND NORMAL CONTRIBUTION REVENUE PER INSURED PERSON PER YEAR

Fiscal Year	Covered[b] Population	Contact[b] Population	Ratio Col. (3) to Col. (2)	Normal Contribution Revenue[a]		
				Total	Per Insured Person in	
					Covered[b] Population	Contact[b] Population
	'000	'000		$'000	$	$
1942–43	2,037	2,652	1.30	68,922	33.84	25.99
43–44	2,142	2,763	1.30	73,978	34.54	26.77
44–45	2,226	2,775	1.25	74,785	33.60	26.95
45–46	2,134	3,020	1.42	73,158	34.28	24.23
46–47	2,194	3,050	1.39	81,451	37.12	26.70
47–48	2,324	3,261	1.40	79,487	34.20	24.37
48–49	2,480	3,239	1.31	101,041	40.74	31.20
49–50	2,592	3,168	1.22	118,571	45.74	37.43
1950–51	2,808	3,563	1.27	150,704	53.67	42.30
51–52	3,073	3,740	1.22	182,411	59.36	48.77
52–53	3,138	3,762	1.20	183,945	58.62	48.90
53–54	3,218	3,922	1.23	189,268	58.82	48.26
54–55	3,318	3,919	1.18	188,246	56.73	48.03
55–56	3,482	4,153	1.19	202,181	58.06	48.68
56–57	3,819	4,456	1.17	224,869	58.88	50.46
57–58	4,038	4,527	1.12	230,322	57.04	50.88
58–59	4,116	4,510	1.10	222,526	54.06	49.34
59–60	4,125	[c]		274,339	66.51	[c]
1960–61	4,120	[c]		330,328	80.18	[c]
61–62	4,032	[c]		333,347	82.68	[c]

[a]Normal Contribution Revenue excludes: (1) government contributions for military service; (2) arrears re certain government employees in 1944; (3) fines and penalties; (4) special contribution for Supplementary Benefit, Classes 3 and 4.

[b]For definitions of covered population and contact population see paragraphs 48 and 49.

[c]Not available.

population began to fall. It hovered around 123 per cent for five years, 1950-54, and then began to fall again, dropping steadily to 110 per cent in 1959.

56. The very high ratio in the 1940's was a reflection of the high employment conditions and the extensive movement into and out of the insured population. It would also be influenced by the rising wage levels, causing persons to drop out of the plan on reaching the ceiling.

57. The narrowing gap in more recent years may be caused by the easier qualifications for benefit. This enables a part-time worker to

qualify for benefit and then be counted in the covered population where formerly he might have been unable to qualify and so would drop out of the count when his work was finished. It may also reflect the tighter employment conditions in the late 1950's. This would have an effect on the movement into and out of the insured population.

58. Whatever the causes, it appears that there is a much greater tendency in recent years for persons to remain within the ambit of the plan for the entire year than was formerly the case.

59. With respect to the average contribution per person per year, the more significant figures are those relating to contact population. Those relating to covered population are included principally to project the trend over periods for which there are no available figures relating to contact population.

60. There is no clear trend in the early years. The period was one of rising wages and full employment. Several changes were made in coverage; the changes relating to the earnings ceiling would be particularly significant. Moreover, the post-war years were years of active movement into and out of insured employment (the ratio of contact population to covered population is at a peak in those years). These factors would all affect the average annual contribution but apparently they were largely offsetting.

61. In 1948, the ceiling for coverage was raised from $2,400 to $3,120 and a new earnings class was added. The effect on the average revenue per person is immediately apparent in the figures for 1948-49. Since the new class came into effect in October 1948, its effect would be only partially apparent in 1948-49 and would carry through to produce a further rise in 1949-50 when the new class would affect the revenue for a full year rather than only for half a year.

62. The further rise in 1950-51 was due in part to the revisions of contribution classes in July 1950, but principally to the addition of 1¢ daily to the contribution by employers and employees in respect of Supplementary Benefit. Apart from the Supplementary Benefit contributions, the average revenue would have shown only a slight rise to $38.28 per person in the contact population.

63. The effect of the additional Supplementary Benefit contribution shows up further in 1951-52 as the new rates have a chance to affect the contributions for a full year. There is but little change for two years but a slight drop shows up in 1954-55. This reflects the recession of that year. The further declines in 1957-58 and 1958-59 are no

doubt also due to the recession. The rise in 1959-60 and in 1960-61 is a reflection of the revision of classes and the increase in contribution rates in September 1959.

64. When Supplementary Benefit was introduced in 1950, a special contribution of 1¢ per day was levied on employees and an equal contribution on employers to cover the cost. In addition, the government contributed the usual one-fifth of the employees' and employers' contributions. The revenue from this special contribution was accounted for separately from the time it started, July 1, 1950, to May 31, 1955. After the amendments of October 1955, there was no special earmarking of part of the contribution to cover the cost of "Seasonal Benefit", the successor to Supplementary Benefit.

65. In actual experience, the special contribution proved to be more than adequate to cover the costs of Supplementary Benefit, at least until the Act was changed in October 1955. As a result of this, together with the large balance in the Fund in the early 1950's, a substantial increase in benefit rates was made in 1952. It was considered that 30 per cent of the extra contribution would suffice to cover the cost of Supplementary Benefit and the remainder would be available to apply against the cost of the increased benefit rates.

66. Table 12 shows the revenue arising from the special contribution of 2.4¢ a day during the period July 1, 1950, to May 31, 1955, the portion informally earmarked for Supplementary Benefit (30 per cent

Table 12

SPECIAL CONTRIBUTION FOR SUPPLEMENTARY BENEFIT

Fiscal Year	Total Revenue from Special Contribution	Portion Earmarked for Supplementary Benefit	Revenue per Person in			
			Covered Population		Contact Population	
			Total	Earmarked	Total	Earmarked
	$'000	$'000	$	$	$	$
1950–51[a]	14,303	14,303	5.06	5.06	4.01	4.01
51–52	21,664	21,664	7.09	7.09	5.79	5.79
52–53	22,691	11,994	7.27	3.84	6.03	3.19
53–54	23,042	6,913	7.20	2.16	5.88	1.76
54–55	22,800	6,840	6.85	2.05	5.82	1.75
55–56[b]	3,638	1,091	1.04	0.31	0.88	0.26

[a]From July 1, 1950.
[b]To May 31, 1955.

of the total after August 1, 1952) and the amount per person in the insured population. The figures in Tables 9, 10 and 11 include revenue from this special contribution.

II. BENEFIT

67. The principal factor affecting the amount of benefit paid out is, of course, the amount of unemployment. Figures drawn from the regular labour force surveys are probably the best material to show the economic environment in which the plan has operated. Table 13 shows the ratio of the number of persons without work and seeking work (the "unemployed") to the total civilian labour force.

Table 13

RATIO (%) OF NUMBER UNEMPLOYED TO THE TOTAL CIVILIAN LABOUR FORCE*

Year	Month											
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1941						4.4						
42						3.0						
43						1.7						
44						1.3						
45						1.6					4.3	
46		5.3				2.9		2.6			2.9	
47			3.4		2.0			1.6			2.0	
48		3.6				1.9			1.4		2.2	
49			4.3			2.1		2.0		3.0		
1950			6.8			3.1		2.1			2.6	
51			3.9			1.8		1.7			2.3	
52			5.0		2.3			1.9			2.5	3.0
53	4.5	4.4	4.1	3.7	2.4	1.9	1.8	2.0	1.8	2.3	3.4	4.1
54	5.8	6.4	6.5	6.1	4.2	3.5	3.3	3.4	3.2	3.5	4.2	4.9
55	7.2	7.4	7.7	6.2	4.0	3.0	2.7	2.4	2.6	2.7	3.1	3.9
56	5.6	6.1	5.7	4.8	3.0	2.2	1.9	1.9	2.0	1.9	2.5	3.6
57	5.7	6.1	6.5	5.7	3.5	2.9	2.9	3.1	3.5	3.7	5.2	7.0
58	9.7	10.1	10.6	9.1	6.4	5.5	4.9	5.0	4.6	5.3	6.2	7.6
59	9.5	9.4	9.1	7.6	5.7	4.0	3.7	4.0	3.6	4.0	5.1	6.5
1960	8.8	9.6	9.8	8.8	6.6	4.9	5.0	5.3	5.1	5.7	6.6	8.2
61	10.8	11.3	11.1	9.7	7.0	5.6	5.2	4.8	4.7	4.9	5.4	6.4
62	8.5	9.1	8.7	7.5	5.1	4.5	4.5	4.1	3.9			

*For years 1941 to 1952 inclusive, labour force surveys were not made monthly; figures shown are the only figures available.

SOURCE: *Labour Force Surveys*, Dominion Bureau of Statistics.

68. The figures in this table give a general picture of the trend in unemployment over the duration of the plan. A brief examination of these figures shows that unemployment was really very low for most of the history of the plan. There was a slight up-turn following the war and another in 1949 and 1950. There was a considerable rise, starting in the fall of 1953 and running through to the spring of 1955, followed by an improvement in the rest of 1955 and in 1956. About mid-1957 the figures began to rise again and unemployment seemed to move on to a new level, higher than the norm in earlier years. There are signs of an improved trend starting in the summer of 1961.

69. The figures show also the well known seasonal trend. Unemployment declines to a low point in the summer months and rises to a peak in February and March.

70. The effect of any given level of unemployment on the unemployment insurance plan depends upon the extent and nature of the coverage and upon the benefit provisions of the plan. These will be discussed under the following heads:

A. Coverage.
B. Qualifying Rules.
C. Benefit Formula.
D. Rate of Benefit.

A. Coverage

71. The following is a summary of the principal changes in coverage under the plan:

January 7, 1942:	Coverage continued for insured persons whose earnings rise above $2,000 a year for reasons due to the war; coverage extended to hourly-paid workers if their basic rate of pay does not exceed 90¢ an hour. Formerly persons whose earnings exceeded $2,000 a year were excepted.
November 21, 1942:	Insurance agents excepted from coverage.
September 1, 1943:	Earnings ceiling removed for persons paid on an hourly, daily, weekly, piece or mileage rate, and raised to $2,400 a year for persons on salary or commission.
September 1, 1943:	Coverage extended to all employees of the federal government unless certified as permanent. Formerly such employees were excepted if appointed under the Civil Service Act.

September 1, 1943: Coverage extended to employment in connection with a public utility, whether or not municipally owned or operated, regardless of the permanency of the employment. Formerly, this type of employment, if operated in connection with a municipality was excepted when certified as permanent.

September 1, 1943: Coverage extended to employees of hospitals and charitable institutions (formerly excepted entirely) or to certain groups or classes of such employees, on the voluntary election of the hospital or institution, subject to the concurrence of the Unemployment Insurance Commission.

September 1, 1943: Coverage extended to the employees in Canada of any foreign or Commonwealth government on election by that government, subject to the concurrence of the Unemployment Insurance Commission.

December 11, 1943: Truck drivers who own their trucks excepted from coverage.

August 1, 1945: Coverage extended to employment in transportation by air.

September 3, 1945: Coverage extended to professional nurses other than private duty nurses.

August 1, 1946: Coverage extended to employment in lumbering and logging in British Columbia.

October 1, 1946: Coverage extended to employment in inland transportation by water.

October 1, 1946: Insured persons paid on a weekly-wage basis excepted from coverage if earnings exceed the rate of $3,120 a year.

January 1, 1948: Earnings ceiling raised from $2,400 a year to $3,120 a year for persons on salary or commission.

April 1, 1948: Coverage extended to stevedoring.

January 12, 1949: Real estate agents paid solely by commission excepted from coverage.

April 1, 1949:	Coverage extended to employees in Newfoundland.
December 28, 1949:	Coverage extended compulsorily to temporary construction workers employed by hospitals and charitable institutions.
April 1, 1950:	Coverage extended to employment in lumbering and logging elsewhere than British Columbia.
July 3, 1950:	Earnings ceiling raised to $4,800 a year.
July 1, 1951:	Security salesmen paid solely by commission excepted from coverage.
August 1, 1953:	Earnings ceiling removed for printing tradesmen paid by week if below rank of foreman.
March 1, 1954:	Coverage extended to employment connected with landscape gardening unless employed in nurseries.
January 1, 1956:	Earnings ceiling removed for persons employed in transportation by water on the Great Lakes and contiguous waters.
January 1, 1956:	Coverage extended to (a) employment in those parts of agriculture concerned with the raising of poultry and egg grading and the raising of race horses, saddle horses or light harness horses; (b) employment in horticulture except certain employments connected with general agriculture or performed in a nursery or greenhouse; (c) employment in forestry with the exception of certain casual or temporary employments; (d) employment as a member of a municipal police force if employment began after December 31, 1955, subject to the consent of the municipality and the concurrence of the Commission.
April 1, 1957:	Coverage extended to fishermen.
September 27, 1959:	Earnings ceiling raised to $5,460 a year.

72. The principal extensions, apart from increases in the earnings ceiling, that had a significant effect on the finances of the plan were those affecting lumbering and logging, stevedoring, inland transportation by water and fishing.

B. Qualifying Rules

73. The qualifying rules for regular benefit insofar as they relate to contribution record are summarized below.

	To qualify for benefit an insured person must have:
July 1, 1941:	(a) at least 180 days of contribution in the two years preceding the establishment of the benefit year, and (b) at least 60 days of contribution since the last day of benefit in the last preceding benefit year.
September 1, 1943:	(a) as above in (a), and (b) at least 60 days of contribution since the beginning of the last preceding benefit year.
July 3, 1950:	(a) as above in (a), and (b) at least 60 days of contribution in the period of 12 months preceding the establishment of the benefit year or in the period since the commencement of the last preceding benefit year, whichever period is shorter; *or* at least 45 days of contribution in the period of six months preceding the establishment of the benefit year or in the period since the commencement of the last preceding benefit year, whichever period is shorter.
October 2, 1955:	(a) at least 30 weeks of contribution in the two years preceding the establishment of the benefit year, and (b) at least 30 weeks of contribution in the period of 52 weeks preceding the establishment of the benefit year or in the period since the commencement of the last preceding benefit year, whichever period is longer, and (c) at least eight weeks of contribution in the period of 52 weeks preceding the establishment of the benefit year or in the period since the commencement of the last preceding benefit year, whichever period is shorter.

September 30, 1956: (a) as above in (a) for October 1955, and
(b) as above in (b) for October 1955, but replacing 30 weeks by 24 weeks, and
(c) as above in (c) for October, 1955.

74. The above items refer, in a number of places, to a "benefit year". This term will be used frequently in the following paragraphs and will, therefore, be explained at this point.

75. When an insured person first files a claim and meets the qualifying conditions, a "benefit year" is established for him and an entitlement to benefit is determined. This entitlement involves a maximum weekly rate of benefit and a maximum duration or amount.

76. The insured person may then draw benefit against this entitlement at any time during the benefit year so long as he is able to show that he is unemployed and is capable of and available for work. He does not have to prove compliance with the contribution conditions again during the continuance of the benefit year. The benefit year continues for a period of 12 months or until the whole benefit entitlement is used up, whichever occurs first. Benefit years that terminate at the end of 12 months without exhaustion of benefit entitlement are said to terminate by "lapse"; benefit years that terminate upon the exhaustion of benefit entitlement are said to terminate by "exhaustion". After October 1955, the term "benefit period" is used in the Act rather than "benefit year" but the terms are synonomous.

77. When an insured person submits a claim that leads to the establishment of a benefit year for him, that claim is referred to as an "initial" claim; any subsequent claim made during the existence of that benefit year is referred to as a "renewal" claim. When a benefit year has terminated, the insured person cannot receive benefit on his next claim unless he again meets the contribution conditions; if he does, another benefit year is established for him and a new entitlement determined.

78. The concept of a "benefit year" or "benefit period" is an administrative device only. It avoids the necessity of applying all the contribution tests every time an insured person claims benefit. In theory it would be perfectly in order to apply all the tests in respect of each initial and renewal claim but the delay and administrative cost would increase greatly.

79. The most important change in the qualifying conditions occurred in 1955, not only because of the rules themselves but because, after that time, the rules were applied in terms of weeks of contribution

instead of days. The 1955 amendments required a full week's contribution for even one day of work done in a week; consequently it was easier to accumulate 30 weeks of contribution after 1955 than 180 days of contribution prior to that time. However, the other conditions established in 1955 were more restrictive. The second condition provided, in effect, that a contribution could not be "used" twice if it was more than a year old, "used" in this sense meaning to be taken into account for qualifying purposes. This condition was eased in 1956 to allow up to six contributions to be "used" twice even if more than a year old (but not if more than two years old).

80. The changes in the qualifying conditions in 1943 and 1950 were important to individuals but were not of such extensive application as to have an important effect on the finances of the plan.

81. The above rules relate to the qualification for regular benefit. Effective February 28, 1950, an additional type of benefit was introduced, known then as Supplementary Benefit and, after October 1955, as Seasonal Benefit. The term "Supplementary Benefit" will be used herein to refer to both types of benefit.

82. Supplementary Benefit was payable only during the winter and the qualification rules were different from those for regular benefit. The periods during which Supplementary Benefit could be paid were changed from time to time; they are set forth in the following summary:

Winter period	Period during which Supplementary Benefit could be paid	Duration
1949-50	February 28 – April 15	7 weeks
50-51	January 1 – March 31	13 weeks
51-52	January 1 – March 31	13 weeks
52-53	January 1 – April 15	15 weeks
53-54	January 1 – April 15	15 weeks
54-55	January 1 – April 15	15 weeks
1955-56*	January 1 – April 15	16 weeks
56-57	January 1 – April 15	16 weeks
57-58	December 1 – June 28	30 weeks
58-59	December 1 – May 15	24 weeks
59-60	December 1 – May 15	25 weeks
1960-61	December 1 – May 15	25 weeks
61-62	December 1 – May 15	25 weeks

* For this and subsequent winters, Supplementary Benefit was payable on a weekly basis beginning with the calendar week in which the first date falls and ending with the calendar week in which the second date falls.

83. Just as for regular benefit, the concept of a "benefit period" is used in connection with Supplementary Benefit. A claimant who meets the qualifying conditions has a Supplementary Benefit period established for him with a maximum weekly rate of benefit and a maximum benefit entitlement. He may draw against this entitlement each week in which he suffers unemployment until the entitlement is exhausted or until the end of the time prescribed by the Act during which Supplementary Benefit may be paid. He does not again have to show compliance with the qualifying conditions during the currency of the benefit period.

84. The qualifying rules for Supplementary Benefit are summarized below:

February 28, 1950: Unemployed persons unable to qualify for regular benefit might qualify for Supplementary Benefit in one of four classes. Class 1 required a record of termination of a regular benefit year subsequent to the March 31 preceding the claim. Class 2 required a record of at least 90 days of contribution since the March 31 preceding the claim. Class 3 related to work in lumbering and logging and disappeared after March 31, 1951; it required at least 90 days of work in any period of 12 months ended within six months preceding the claim, in lumbering and logging that was not insured employment prior to January 1, 1950, or in a combination of that employment and insured employment. Class 4 related to newly covered employments generally and, in practice, was virtually ineffective after March 31, 1952; it required at least 90 days of employment since the March 31 preceding the claim in employment that was made insurable within 12 months preceding the claim, or partly in that employment and partly in other insured employment.

October 3, 1955: Unemployed persons unable to qualify for regular benefit might qualify in one of two classes. Class A (formerly Class 2) required a record of at least 15 weeks of contribution since the preceding March 31 instead of 90 days as formerly; Class B (formerly Class 1) required a record of termi-

nation of a regular benefit period subsequent to the preceding April 15 rather than March 31 as before.

November 28, 1957: Class B benefit payable only if previous regular benefit period terminated after May 15 preceding rather than April 15 as before, but this change was effective only for 1958-59 and subsequent years.

85. The above rules, and the changes from time to time, determine the extent of claim in the insured population consequent upon any particular level and type of unemployment. An index of the impact of unemployment on the plan is given by computing the ratio of the average number of persons on benefit each month to the average insured population for that month. These ratios are shown in Table 14.

Table 14

RATIO (%) OF AVERAGE NUMBER OF BENEFICIARIES EACH MONTH TO AVERAGE INSURED POPULATION FOR THE MONTH

Year	Month											
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1944	*	*	*	0.6	0.6	0.4	0.2	0.2	0.2	0.3	0.3	0.5
45	0.7	1.1	1.5	1.1	1.0	0.8	0.8	0.9	1.2	2.1	2.9	3.8
46	4.9	6.6	7.4	7.4	6.0	4.8	3.9	3.4	3.4	3.0	2.7	3.0
47	4.1	4.6	4.8	4.4	3.7	2.7	2.2	1.8	1.7	1.8	1.9	2.9
48	4.6	6.0	6.7	6.0	4.5	3.1	2.6	2.2	2.0	2.0	2.6	3.9
49	6.4	8.2	9.2	7.4	5.9	4.3	2.5	2.4	2.5	2.8	4.0	4.8
1950	8.4	9.0	9.7	7.1	5.0	3.4	2.8	2.4	2.2	2.3	2.7	3.5
51	5.7	6.2	6.2	3.6	2.5	1.9	1.9	2.0	2.1	2.3	3.1	4.8
52	7.6	8.3	8.4	6.4	4.3	2.7	2.8	2.6	2.4	2.5	3.6	5.1
53	8.2	9.3	8.4	6.2	4.0	2.9	2.8	2.7	2.9	3.7	5.5	6.6
54	11.7	12.9	13.2	13.9	7.6	5.2	5.0	4.7	4.8	5.3	6.3	8.0
55	13.1	14.1	14.8	14.8	8.3	5.1	3.9	3.2	3.2	3.2	3.4	4.6
56	8.7	11.4	12.3	11.4	6.2	3.4	2.8	2.7	2.6	2.5	2.8	4.0
57	9.2	11.5	12.5	12.3	8.1	4.5	3.9	3.9	4.2	4.5	5.7	8.9
58	15.2	17.5	19.1	17.7	14.3	10.4	7.2	5.6	5.6	5.5	6.5	8.9
59	15.3	15.8	18.0	15.3	11.8	4.9	4.1	3.9	3.9	4.0	5.1	8.6
1960	14.4	15.7	17.0	17.2	13.5	6.8	5.6	5.3	5.6	5.6	6.7	9.6
61	15.8	17.4	19.1	17.0	13.8	6.3	4.9	4.8	4.4	4.4	5.3	7.8
62	13.5	14.2	15.4	13.6	10.8							

*Not available.

86. It can be seen that these ratios, although they follow the same trend as those in Table 13, are considerably higher. It is to be kept in mind that the ratios in Table 13 are ratios of unemployed to total labour force rather than to paid workers; also there are a considerable number of unemployed persons who are not covered by unemployment insurance or, if covered, do not qualify for benefit. On the other hand, the beneficiaries taken into account for Table 14 may include a considerable number who would not report themselves as unemployed except for benefit purposes—they are not seeking employment.

87. It is notable that the excess of the beneficiary ratios (Table 14) over the unemployment ratios (Table 13) is greater in the winter months at the start of each year than in the late summer and fall months, the difference reaching a peak in April and May. This suggests that a good many people may go on benefit during the winter but do not regard themselves as "unemployed" for purposes of the labour force survey. This is probably one of the effects of the seasonal employment pattern in Canada and of the existence of Supplementary Benefit.

88. The beneficiary ratios are much closer to the unemployment ratios in the last two or three years than formerly. Whereas they were from 50 to 100 per cent larger than the unemployment ratios in 1954 and 1955, they now range from 0 to 50 per cent larger. This suggests that as unemployment rises, a larger proportion of those on claim are genuinely unemployed and so report in the labour force surveys. In fact, when the beneficiary ratios decline to less than the unemployment ratios, as they did in the late summer and fall of 1961, the implication is that there is a growing number of the unemployed who have exhausted their unemployment insurance benefits.

89. Changes in the rules of the unemployment insurance plan may have a sharp effect on the beneficiary ratios. For example, in 1958, Supplementary Benefit was extended to the end of June for that year only. In 1957, it ended on April 15, and in 1959, on May 15. Thus, it appears many people stayed on benefit in May and June 1958, who, but for the special extension, would have gone to work or dropped out of the labour force.

90. Another measure of the impact of unemployment on the insurance plan is given by the number of persons establishing benefit years each year. These data are published regularly by the Dominion Bureau of Statistics. Table 15 shows the number of benefit years established each year and the ratio to the average insured population for the year.

These figures are significant because they give an indication of the number of different persons who suffer unemployment during the year, file an initial claim and qualify for benefit. The monthly count of beneficiaries, on which Table 14 is based, does not indicate how many different persons are involved during the year.

Table 15

NUMBER OF BENEFIT PERIODS ESTABLISHED AND RATIO (%) TO INSURED POPULATION

Year	Regular Benefit Periods			Supplementary Benefit Periods				
	Number Established	Ratio to		Number Established			Ratio to	
		Covered Population	Contact Population	Class 2 Class A	Class 1 Class B	Total	Covered Population	Contact Population
	'000	%	%	'000	'000	'000	%	%
1942	17.2	0.7	0.6					
43	19.6	1.0	0.7					
44	66.9	3.0	2.4					
45	223.3	10.3	7.5					
46	304.7	14.1	10.0					
47	265.1	11.5	8.2					
48	392.1	16.2	12.1					
49	556.1	21.5	17.6					
1950	593.3	21.9	17.1	*	*	113.7	4.2	3.6
51	617.7	20.4	16.6	35.5	53.0	88.5	2.9	2.5
52	731.0	23.4	19.5	34.9	61.1	96.0	3.1	2.6
53	852.6	26.7	21.9	39.9	109.4	149.3	4.7	4.0
54	984.8	30.0	25.2	51.5	159.2	210.7	6.4	5.4
55	849.4	24.8	20.9	55.9	194.1	250.0	7.3	6.4
56	834.4	22.4	19.0	101.1	154.6	255.7	6.9	6.2
57	1086.2	27.4	24.0	144.0	64.8	208.8	5.3	4.7
58	1091.5	26.6	24.3	220.8	249.7	470.5	11.7	10.4
59	985.1	24.0	21.1	256.0	188.3	444.3	10.8	9.9
1960	1065.8	25.8	*	284.7	159.1	443.8	10.8	*
61	967.7	23.9	*	278.1	187.7	465.8	11.5	*

*Not available.

91. In considering this table, it should be noted that the payments of regular benefit in any calendar year are made not only to persons who have established a benefit year in that calendar year, but also to persons who have carried over a benefit year from the preceding calendar year. Also, the figures shown for Supplementary Benefit periods established

in 1957 exclude the number of Supplementary Benefit periods established in December of that year. For later years, the figures shown for a particular year include the number of Supplementary Benefit periods established in December of the preceding year and exclude those established in December of the year in question.

92. There was an increase in unemployment following the war as a consequence of readjustment of industry and of the labour force. This accounts for the rise in benefit years established in calendar years 1945 and 1946.

93. Although persons employed in lumbering and logging in British Columbia, and in transportation by water were brought under the Act in 1946, it is unlikely that they would have accumulated enough contributions to have much impact on the claims in 1947. The rise in the figures for 1948 as compared with 1947 was due to some extent to claims from this group. However, the numbers involved were not such as to have a major effect on the claims picture.

94. The entry of Newfoundland into Confederation in 1949 had only a slight effect in 1950.

95. Unemployment rose in the fiscal year 1949-1950 and the effect shows in both the 1949 and the 1950 figures in Table 15. Seasonal regulations were relaxed in 1950 and this affected the subsequent years. The rise in 1952 and 1953 was, to a substantial extent, linked to coverage for lumbering and logging elsewhere than in British Columbia. This extension of coverage was made in 1950. The high figure for 1954 reflects the recession of that year.

96. The drop in 1956 is partly due to the impact of the new rules for qualification adopted with effect from October 2, 1955. These were eased late in 1956 and this accounts, in part, for the increase in the benefit periods established in 1957. However, employment conditions became more difficult in 1957 and this was the principal cause of the increase for that year.

97. For 1958 and 1959, the interesting feature is the sharp rise in the number of Supplementary Benefit periods established. This was caused in part by the amendments lengthening the period during which Supplementary Benefit could be paid but also, and principally, by the more difficult employment conditions of those years. Evidently many insured persons were able to get enough work to qualify for Supplementary Benefit but not for regular benefit; moreover, the rise in the number of Supplementary Benefit periods, Class B, shows that many insured persons had exhausted their regular benefit and were unable to requalify.

C. Benefit Formula

98. The amount of benefit paid to those who qualify depends not only upon the extent of the unemployment but also upon the benefit formula and the rate of benefit.

99. The benefit formula in the original Act remained unchanged until 1955 except as respects the introduction of Supplementary Benefit in 1950. Under that formula, the maximum duration of benefit in any benefit entitlement was a number of days equal to one-fifth of the number of days of contribution made by the claimant in the five years immediately preceding the establishment of the benefit year less one-third of the number of days of benefit drawn by the claimant in the three years immediately preceding the establishment of the benefit year. The maximum period was, therefore, one full year (less the waiting period) for a person with a five-year record of continuous employment.

100. The deductive factor in the formula had the broad effect of reducing the potential benefit entitlement for persons who claim frequently as compared with the entitlement for persons having a comparable contribution record but little in the way of claim.

101. For persons who contributed under the plan an average of 15 to 33 weeks a year and drew the maximum benefit to which they were entitled, this formula provided one day of benefit for each two days of annual average contributions after a record of some years had been built up. Thus if a person averaged 20 weeks of contribution a year he would ultimately have been entitled to an average of 10 weeks of benefit a year. In the early years of coverage for any insured person, however, the benefit provided would be much less—more nearly one week of benefit for five weeks of contribution.

102. In October 1955, the benefit formula was changed to a rule that provided, in effect, one week of benefit for each two weeks of contributions in the two years preceding the start of the benefit year, subject to the stipulation that a week of contribution could not be taken into account for the purpose of a particular benefit year if it had already been counted for a previous benefit year and was more than a year old. The maximum duration of benefit was set at 36 weeks. For persons who claim every year on a more-or-less uniform pattern, this formula provides one week of benefit for each two weeks of contribution in the year preceding the start of the benefit year. A claimant would need 72 weeks of contribution within two years and since the beginning of the last preceding benefit year to qualify for the maximum benefit of 36 weeks.

103. The maximum duration of benefit was increased to 52 weeks in September 1959. To qualify for the maximum entitlement, a claimant would require 104 weeks of contribution in the two years preceding the claim and no benefit year established in that two-year period. It is to be noted that this requirement does not necessarily mean full employment for that period, nor does it mean that no benefit was drawn in the two years. A given week might be both a contribution week and a claim week, and benefit might be paid under a benefit year established before the two-year period began.

104. The payment of benefit in any benefit year is subject to a waiting period and, before October 1955, payment was subject to a rule relating to the first day of unemployment in any spell of continuous unemployment. Under the original Act the waiting period was nine days; no benefit was payable for the first nine days of unemployment in any benefit year. In addition to the waiting period, the first day of unemployment in any calendar week was regarded as a "non-compensable" day and did not rank for benefit unless the unemployment lasted the full week or unless the first day immediately followed a period of continuous unemployment lasting a week or more. These rules remained unchanged until 1950. At that time the waiting period was dropped to eight days and the non-compensable day was applied at the start of each spell of unemployment subject to the rules that (a) not more than one non-compensable day would be applied in any week, and (b) the non-compensable day would not be applied at the start of a spell of unemployment that was separated from a previous spell by employment lasting three days or less. In 1952, the waiting period was reduced to five days.

105. In 1955, by reason of the change to a weekly basis for contribution and benefit, the waiting period could not be applied in terms of days. Instead, the rule was adopted that at the start of each benefit period a waiting period would be imposed during which benefit that would otherwise accrue would be withheld until the total amount so withheld equalled one full week of benefit. For continuous unemployment lasting a week or more, this has the effect of applying a waiting period of one week. The old rule relating to the non-compensable day disappeared.

106. Another important change of concept in 1955 related to "allowable earnings". Previous to 1955, benefit was payable (subject to the rules relating to qualification and entitlement) for each day of unemployment. If a person worked on a particular day he would not rank for benefit for that day; he was not unemployed. An exception was

made, however, with respect to subsidiary employment carried on outside of the claimant's regular working hours. Such employment was not considered to remove the claimant from the unemployed category so long as his earnings did not exceed a specified amount per day. This amount was fixed at $1.00 in 1941, raised to $1.50 in 1946 and to $2.00 in 1950.

107. Under the revised plan adopted in 1955, benefit was payable for each week during which a claimant suffered unemployment (again subject to the rules relating to qualification and entitlement). If he was unemployed for the full week he received a full week's benefit; if he worked at any time during the week, a deduction was made from the benefit otherwise payable equal to the excess of his earnings during the week over a fixed amount of "allowable earnings". The allowable earnings set by the Act were graded in accordance with the earnings class and dependency status. Table 16 shows the amounts in 1955 and as changed subsequently.

Table 16

ALLOWABLE EARNINGS UNDER THE UNEMPLOYMENT INSURANCE ACT

Claimants Without a Dependent			Claimants With a Dependent		
	Allowable Earnings			Allowable Earnings	
Weekly Benefit	Oct. 1955 to Oct. 1959	Oct. 1959 to date	Weekly Benefit	Oct. 1955 to Oct. 1959	Oct. 1959 to date
$	$	$	$	$	$
6.00	2.00	3.00	8.00	2.00	4.00
9.00	3.00	5.00	12.00	3.00	6.00
11.00	4.00	6.00	15.00	4.00	8.00
13.00	5.00	7.00	18.00	5.00	9.00
15.00	6.00	8.00	21.00	6.00	11.00
17.00	7.00	9.00	24.00	7.00	12.00
19.00	9.00	10.00	26.00	9.00	13.00
21.00	11.00	11.00	28.00	11.00	14.00
23.00	13.00	12.00	30.00	13.00	15.00
25.00		13.00	33.00		17.00
27.00		14.00	36.00		18.00

108. The operation of the allowable earnings rule was such as to take the place, to some extent, of the former "non-compensable" day. A person becoming unemployed during a calendar week would have his benefit reduced to the extent that his earnings for the week exceeded the allowable earnings for his class.

109. In actual practice, under the 1955 rule, the benefit entitlement is established in terms of dollars, the amount being the product of a number of weeks determined as already described, and the prescribed rate of benefit determined in accordance with the claimant's average earnings class. By reason of the operation of rules relating to the waiting period and to allowable earnings, the benefit paid in a week may be less than the prescribed rate; where this occurs the benefit entitlement may be paid out over a longer period than the number of weeks determined by the formula.

110. As respects Supplementary Benefit, the formulas in effect from time to time are described below. In each case the maximum duration of benefit is limited to the time remaining in the period during which Supplementary Benefit could be paid, if less than the maximum obtained by the formula.

February 28, 1950: Class 1—Number of days authorized in last preceding regular benefit year.

Class 2—One-fifth of the number of days of contribution subsequent to the preceding March 31.

January 1, 1955: Class A (formerly Class 2)—Two weeks of benefit for each three weeks of contribution since preceding March 31. (This provided a minimum of 10 weeks.)

Class B (formerly Class 1)—Benefit payable for full number of weeks in Supplementary Benefit period. (The 1955 amendment was such that the minimum duration of regular benefit in any benefit year was 15 weeks; the length of the Supplementary Benefit period was 16 weeks; hence, although the same principle was being followed as for Class 1 above, it was unnecessary to prescribe the rule in those terms.)

September 30, 1956: Class A—Greater of (a) 10 weeks or (b) one week of benefit for each two weeks of contribution since preceding March 31.

Class B—Number of weeks authorized in last preceding regular benefit period. (The 1956 amendment made it possible to

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have a regular benefit period established with only 12 weeks of entitlement; hence, to preserve the principle of paying no more Class B benefit than that authorized in the preceding regular benefit period, the rule had to be rewritten.)

November 28, 1957: Class A—Greater of (a) 13 weeks or (b) five weeks of benefit for each six weeks of contribution since preceding March 31.
Class B—As above for September 1956.

111. The result of these various rules, combined with the extent of unemployment, is reflected in the actual duration of benefit payments. Table 17 shows the number of benefit periods terminated in each year and the average number of weeks of benefit paid in those benefit periods. In computing weeks of benefit, any partial weeks are converted to full weeks on a proportionate basis.

112. Table 17 relates to benefit periods terminated in the calendar year shown. Some of the benefit payments in such benefit periods would take place in the previous calendar year since many benefit periods terminated in a particular year would have been established in the preceding calendar year. Thus the figures shown opposite a particular calendar year in the table are affected by the conditions of both that and the preceding year.

113. The average number of weeks of benefit paid in a benefit period shows some variation but perhaps not as much as one would expect. An increase from 10.0 to 10.9 between 1949 and 1950 reflects the recession extending through the winter of 1949-50. The waiting period was reduced by three days in 1952; this accounts for the increase between 1952 and 1953 and perhaps part of the increase from 1953 to 1954.

114. Although the maximum duration of benefit in a benefit period was decreased from 51 to 36 weeks by the amendments of October 1955, there is little evidence of the change in Table 17. The full effect would show up first in the benefit periods terminated in 1957 but it is obscured by other factors, particularly rising unemployment. The impact of the heavier unemployment in 1958 and subsequent years is clearly reflected in the figures for those years. The increase in the maximum duration of benefit in 1959 would tend to increase the average benefit drawn in benefit periods terminated in 1960 and 1961.

Table 17

BENEFIT PERIODS TERMINATED EACH YEAR SHOWING AVERAGE NUMBER OF WEEKS OF BENEFIT PAID, PROPORTION DRAWING NO BENEFIT, AND PROPORTION WHO EXHAUST BENEFIT ENTITLEMENT

Year	Regular Benefit Periods				Supplementary Benefit Periods	
	Number Terminated	Average Weeks Paid	Proportion Drawing No Benefit	Proportion Exhausting Benefit	Number Terminated	Average Weeks Paid
	'000		%	%	'000	
1942	1.8		*	*		
43	16.3		*	*		
44	25.8		*	*		
45	58.8		*	*		
46	239.2		*	*		
47	292.0		*	*		
48	288.7	10.2	16.3	19.8		
49	410.8	10.0	15.2	21.6		
1950	578.1	10.9	12.2	26.8	113.7	3.5
51	590.7	9.2	16.1	20.7	88.5	3.8
52	660.4	9.2	13.9	28.1	96.0	3.9
53	770.7	9.6	11.8	31.4	149.3	4.8
54	917.7	11.4	7.7	37.6	210.7	5.1
55	977.9	11.5	8.3	32.7	250.0	6.5
56	801.3	11.0	11.0	17.2	255.7	7.9
57	890.2	12.0	11.1	25.8	208.8	7.1
58	1,121.7	14.3	6.9	32.4	470.5	11.2
59	1,046.0	13.5	6.5	29.3	444.3	10.5
1960	1,190.3	13.9	6.7	33.8	443.8	10.4
61	1,066.4	14.3	6.8	31.3	465.8	10.5

*Not available.

115. The proportion of benefit periods that did not result in any benefit payment falls sharply as unemployment conditions become more severe. The cases concerned are those where a benefit period is established but the claimant goes back to work before the waiting period has been served.

116. The proportion of benefit periods terminated by exhaustion of benefit does not show any clear trend. The high figures in relatively good years suggest that a high proportion of the cases concerned were on their way out of the labour market. The proportion is influenced by the severity of the employment conditions, the rules of the plan, and the contribution record of those who suffer unemployment. The last factor is significant because claimants with a poor record would have a

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low entitlement and so would be more likely to exhaust the entitlement than those who have a better record.

117. As respects Supplementary Benefit, the period during which this benefit could be paid was lengthened in 1953 and this shows up in the increase from 3.9 to 4.8 weeks in the average duration of benefits in 1953. The similar extension of Supplementary Benefit in 1958 accounts for the rise in that year. A decrease would be expected in 1959, since the period during which Supplementary Benefit could be paid was reduced by about six weeks from 1958, still, however, leaving it about 50 per cent longer than it had been in 1956-57.

118. Further information in this connection is given in Table 18 showing the total number of weeks of benefit paid each fiscal year and the average number per year per person in the insured population.

Table 18

ANNUAL NUMBER OF WEEKS OF REGULAR AND SUPPLEMENTARY BENEFIT PAID, AND ANNUAL AVERAGE NUMBER OF WEEKS OF BENEFIT PER PERSON IN THE INSURED POPULATION

Fiscal Year	No. of Weeks of Benefit Paid	Average No. of Weeks per Person in	
		Covered Population	Contact Population
	'000		
1942–43	65	0.03	0.02
43–44	152	0.07	0.06
44–45	428	0.19	0.15
45–46	2,402	1.13	0.80
46–47	3,874	1.77	1.27
47–48	3,019	1.30	0.93
48–49	3,980	1.60	1.23
49–50	6,148	2.37	1.94
1950–51	6,303	2.24	1.77
51–52	5,875	1.91	1.57
52–53	7,751	2.47	2.06
53–54	10,265	3.19	2.62
54–55	13,791	4.16	3.52
55–56	11,735	3.37	2.83
56–57	11,601	3.04	2.60
57–58	18,169	4.50	4.01
58–59	22,513	5.47	4.99
59–60	19,377	4.70	*
1960–61	22,230	5.40	*
61–62	18,935	4.69	*

*Not available.

119. This table shows the effect of the introduction of Supplementary Benefit in 1950 and possibly the change in the waiting period in 1952. The effect of heavier unemployment in recent years is also clearly shown, combined with the effect of lengthening the period for Supplementary Benefit.

D. Rate of Benefit

120. The remaining factor to consider is the rate of benefit. This has been changed from time to time by amendment to the plan. Further, the average rate of benefit payable under the plan is affected by the proportion of claimants in each earnings class and the proportion of claimants qualifying for the higher "with dependent" benefit.

121. Concerning the provisions of the plan, the general principle followed throughout has been to maintain approximately a fixed ratio between the benefit rate for a claimant and his average contribution rate, but using one ratio for persons with dependents and a different ratio for persons without dependents.

122. Under the original plan the daily rate of benefit for a particular benefit year was determined on the basis of the earnings class of the claimant as revealed by the average daily rate of contribution over the two years preceding the establishment of the benefit year. The weekly rate was taken as six times the daily rate. For claimants having a dependent, the weekly rate of benefit was fixed at 40 times the average weekly contribution; for claimants without a dependent, the rate was 34 times the average weekly contribution.

123. In 1948, the daily benefit rates were revised for claimants with a dependent by raising the daily rate to 45 times the average daily contribution and deducting 10¢ from the product. The deduction of 10¢ daily was for the purpose of preventing the new rate of benefit from exceeding average earnings in the lower earnings classes.

124. When Supplementary Benefit was introduced in 1950, the classes were revised and the rates of contribution for employees and employers were increased by 1¢ a day each, but this was ignored in computing average contribution rates for benefit purposes. The multipliers remained unchanged.

125. In 1952, the benefit rates were increased and became 50 times the average contribution rate (ignoring the contribution for Supplementary Benefit) for claimants with a dependent, and approximately 36 times the average contribution rate (ignoring the contribution for Supplementary Benefit) for claimants without a dependent. These ratios were scaled down slightly in the lower classes to keep the benefit

rate below the normal earnings. This change was made without increase in contributions but it was well in mind that up to that time Class 1 and Class 2 Supplementary Benefit had cost little more than 25 per cent of the revenue derived from the special contributions.

126. In 1955, the whole pattern of earnings classes, contribution rates, and benefit rates was revised. The weekly benefit rates adopted in 1955 were 50 times the average weekly employee contribution for claimants with a dependent, and approximately 36 times for claimants without a dependent.

127. The multipliers quoted in the preceding paragraph, although approximately the same as those relating to the 1952 amendment, are in terms of the total employee contribution rather than only the employee contribution for regular benefit. These ratios should be compared with the ratios of the 1952 benefit rates to the total contribution, including the contribution for Supplementary Benefit; namely, about 40 times for claimants with a dependent and slightly over 30 times for claimants without a dependent. However, the 1955 amendments reduced the contribution rates in the lower earnings classes and as a consequence the rate of benefit remained approximately the same as before in absolute amount, except as respects the new classes added at that time.

128. In September 1959, the contribution rates were raised approximately 30 per cent without change in the benefit rates except as respects the addition of two new classes. The ratio of benefit to average contribution was thus substantially changed; the new ratios are approximately 38 times for claimants with a dependent, and 28 times for claimants without a dependent.

129. Until 1948, the rate of benefit was determined on the basis of the average rate of contribution during the two years preceding the start of the benefit year. In 1948, this was changed to the average over the preceding 180 days. This had the effect of raising the average benefit since wages and salaries were rising rapidly during these years and the insured population was moving up through the earnings classes. The average of the most recent 180 days would thus be higher than the average of the most recent two years. After October 1955, the rate of benefit is based on the average weekly contribution rate over the 30 most recent weeks taken into account in establishing the benefit period.

130. Table 19 shows the rates of benefit that have been in effect from time to time over the history of the plan together with the ratio of the benefit to the extremes of the relative earnings classes.

Table 19

WEEKLY RATES OF BENEFIT AND RATIO OF BENEFIT TO EARNINGS

Earnings Class	Weekly Benefit		Ratio of Weekly Benefit to Earnings			
			Without Dependent		With Dependent	
	Without Dependent	With Dependent	Bottom of Class	Top of Class	Bottom of Class	Top of Class
$	$	$	%	%	%	%
July 1, 1941—October 3, 1948						
0– 5.40	—	—	—	—	—	—
5.40– 7.50	4.08	4.80	76	54	89	64
7.50– 9.60	5.10	6.00	68	53	80	62
9.60–12.00	6.12	7.20	64	51	75	60
12.00–15.00	7.14	8.40	60	48	70	56
15.00–20.00	8.16	9.60	54	41	64	48
20.00–26.00	10.20	12.00	51	39	60	46
26.00 and up	12.24	14.40	47	—	55	—
October 4, 1948—July 2, 1950						
0– 5.40	—	—	—	—	—	—
5.40– 7.50	4.20	4.80	78	56	89	64
7.50– 9.60	5.10	6.30	68	53	84	66
9.60–12.00	6.00	7.50	62	50	78	62
12.00–15.00	7.20	9.00	60	48	75	60
15.00–20.00	8.10	10.20	54	40	68	51
20.00–26.00	10.20	12.90	51	39	64	50
26.00–34.00	12.30	15.60	47	36	60	46
34.00 and up	14.40	18.30	42	—	54	—
July 3, 1950—July 3, 1952						
0– 9.00	4.20	4.80	—	47	—	53
9.00–15.00	6.00	7.50	67	40	83	50
15.00–21.00	8.10	10.20	54	39	68	49
21.00–27.00	10.20	12.90	49	38	61	48
27.00–34.00	12.30	15.60	46	36	58	46
34.00–48.00	14.40	18.30	42	30	54	38
48.00 and up	16.20	21.00	34	—	44	—
July 4, 1952—October 1, 1955						
0– 9.00	4.20	4.80	—	47	—	53
9.00–15.00	6.00	7.50	67	40	83	50
15.00–21.00	8.70	12.00	58	41	80	57
21.00–27.00	10.80	15.00	51	40	71	56
27.00–34.00	12.90	18.00	48	38	67	53
34.00–48.00	15.00	21.00	44	31	62	44
48.00 and up	17.10	24.00	36	—	50	—
October 2, 1955 to date						
0– 9.00	6.00	8.00	—	67	—	89
9.00–15.00	6.00	8.00	67	40	89	53
15.00–21.00	9.00	12.00	60	43	80	57
21.00–27.00	11.00	15.00	52	41	71	56
27.00–33.00	13.00	18.00	48	39	67	55
33.00–39.00	15.00	21.00	45	38	64	54
39.00–45.00	17.00	24.00	44	38	62	53
45.00–51.00	19.00	26.00	42	37	58	51
51.00–57.00	21.00	28.00	41	37	55	49
*57.00–63.00	23.00	30.00	40	36	53	48
63.00–69.00	25.00	33.00	40	36	52	48
69.00 and up	27.00	36.00	39	—	52	—

*Until September 27, 1959, top class was $57.00 and up.

131. The standard of benefit aimed at by the existing plan, as revealed by Table 19, seems to be about 50 per cent of earnings in the higher classes for claimants with a dependent and a little over 40 per cent for claimants without a dependent. The ratio of benefit to earnings in the low earnings classes is somewhat higher. This general standard seems to have been in effect over the history of the plan except possibly during the period from July 3, 1950 to July 3, 1952, when the ratios were lower than at other times. Before 1950, the benefit standard was a little higher than at present but still not far from 50 per cent for claimants with a dependent.

Table 20

BENEFIT PAYMENTS, WEEKS COMPENSATED AND AVERAGE BENEFIT PER WEEK

Fiscal Year	Regular Benefit			Supplementary Benefit		
	Amount Paid	Average Benefit per Week	Weeks Compensated	Amount Paid	Average Benefit per Week	Weeks Compensated
	$'000	$	'000	$'000	$	'000
1941–42	28	10.92	3			
42–43	716	11.02	65			
43–44	1,722	11.33	152			
44–45	4,966	11.60	428			
45–46	31,993	13.32	2,402			
46–47	43,114	11.13	3,874			
47–48	34,947	11.58	3,019			
48–49	49,827	12.52	3,980			
49–50	85,006	14.01	6,069	738	9.34	79
1950–51	83,082	14.50	5,730	5,191	9.06	573
51–52	85,560	15.42	5,549	4,595	14.10	326
52–53	128,814	17.74	7,260	7,008	14.27	491
53–54	174,620	18.72	9,328	12,232	13.05	937
54–55	232,758	18.89	12,323	24,871	16.94	1,468
55–56	180,038	18.36*	9,818	35,167	**	1,917
56–57	201,196	19.96*	10,091	30,100	**	1,510
57–58	327,908	21.21*	15,472	57,169	**	2,697
58–59	362,156	21.28*	17,035	116,475	**	5,478
59–60	320,970	21.43*	14,978	94,264	**	4,399
1960–61	406,728	23.12*	17,594	107,178	**	4,636
61–62	352,328	24.02*	14,670	102,411	**	4,265

*Average for Regular and Supplementary Benefit combined.

**Not available.

132. The rate for Supplementary Benefit, Class 1, was set at 80 per cent of the rate of regular benefit paid in the preceding regular benefit year; for Class 2 the rate was taken as 80 per cent of the rate determined in the usual way on the basis of the average of the 90 most recent daily contributions since the preceding March 31. The rate of Supplementary Benefit was not raised in 1952 when regular benefit rates were raised, and as a consequence it fell to less than 80 per cent of regular rates. In January 1955, the rate of Supplementary Benefit was raised to equal the rate of regular benefit, and it so continues.

133. Table 20 shows the total benefit paid each year (regular and Supplementary), the number of weeks compensated, and the average weekly benefit.

134. The effect of the addition of new benefit classes does not show up immediately. By reason of the fact that benefit rates are based on average weekly contribution, an insured person must contribute for some time in a new class before becoming entitled to the higher rate of benefit. The effect of the 1948 amendments would show up in 1949 and 1950. The changes in 1950 would begin to take effect in 1951. The increase in benefit rates in 1952 would, however, have an immediate effect as shown by the rise in the average for 1952-53. The effect of the 1955 amendments does not show up clearly. For 1955-56 and subsequent years, the average rate of benefit is computed for regular and Supplementary Benefit combined.

III. Comparison of Revenue and Benefit Payments

135. Table 21 brings together, for comparison, figures shown in earlier tables relating to revenue and benefit payments.

136. As shown in this table, until 1957-58, revenue exceeded benefit in each year of the history of the plan except for the one year 1954-55. However, in 1957-58, and in each subsequent year, the benefit payments have exceeded revenue. The greatest deficiency occurred in 1958-59, when the benefit payments were more than twice the revenue, including interest revenue. Over the history of the plan to March 31, 1962, revenues have very slightly exceeded benefits, the balance at that date being $67 million compared with total revenue of $3,772 million and benefit payments of $3,706 million.

137. To eliminate the effect of changing population it is useful to compare revenue and benefit per person as shown in Table 22.

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Table 21

SUMMARY OF REVENUE AND BENEFIT

Fiscal Year	Revenue			Benefit			Gain or Loss
	Contribution Revenue	Investment and Other Revenue	Total Revenue	Regular Benefit	Supplementary Benefit	Total Benefit	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
1941–42	43,723	269	43,992	28		28	43,964
42–43	68,922	1,841	70,763	716		716	70,047
43–44	74,065	3,973	78,039	1,722		1,722	76,317
44–45	76,475	6,198	82,673	4,966		4,966	77,707
45–46	75,080	6,119	81,199	31,993		31,993	49,206
46–47	91,218	7,534	98,752	43,114		43,114	55,638
47–48	100,237	9,566	109,803	34,947		34,947	74,856
48–49	119,506	12,122	131,627	49,827		49,827	81,800
49–50	124,447	14,409	138,856	85,006	738	85,744	53,112
1950–51	154,541	15,666	170,206	83,082	5,191	88,273	81,933
51–52	184,694	19,080	203,773	85,560	4,595	90,154	113,619
52–53	186,221	22,987	209,208	128,814	7,008	135,822	73,386
53–54	190,409	26,131	216,540	174,620	12,232	186,852	29,689
54–55	190,632	26,415	217,047	232,758	24,871	257,629	−40,582
55–56	203,676	25,036	228,712	180,038	35,167	215,206	13,506
56–57	225,589	26,083	251,672	201,196	30,100	231,296	20,376
57–58	230,880	23,822	254,702	327,908	57,169	385,076	−130,375
58–59	222,584	11,658	234,242	362,156	116,475	478,631	−244,389
59–60	274,339	6,976	281,315	320,970	94,264	415,234	−133,919
1960–61	330,328	2,371	332,698	406,728	107,178	513,906	−181,207
61–62	333,347	3,306	336,653	352,328	102,411	454,739	−118,086

138. In the original calculation, provision was made for 3.10 weeks of benefit per person per year. In the calculations relating to the 1955 amendment, provision was made for 2.2 weeks of benefit per person per year. It can be seen from Table 22 that, on the basis of the actual experience relating to contribution revenue and average rate of benefit, the contributions would have supported only about 2.3 weeks of benefit per person per year in the early years of the plan. The average number of weeks of contribution per person per year was lower than expected and the average rate of benefit was somewhat higher. Unemployment experience was favourable, however, and as a consequence the plan was called on to support only about one week of benefit per person per year after it began to show some maturity in 1945-46 and subsequent years.

Table 22

COMPARISON OF REVENUE AND BENEFIT PER PERSON IN THE CONTACT INSURED POPULATION

Fiscal Year	Normal* Contribution Revenue	Benefit Payment			Average Weekly Benefit	Number of Weeks of Benefit Paid	Weeks of Benefit per Person Supported by Contribution
		Regular Benefit	Supplementary Benefit	Total Benefit			
	$	$	$	$	$		
1942–43	25.99	0.27		0.27	11.02	0.02	2.36
43–44	26.77	0.62		0.62	11.33	0.06	2.36
44–45	26.95	1.79		1.79	11.60	0.15	2.32
45–46	24.23	10.59		10.59	13.32	0.80	1.82
46–47	26.70	14.14		14.14	11.13	1.27	2.40
47–48	24.37	10.72		10.72	11.58	0.93	2.10
48–49	31.20	15.38		15.38	12.52	1.23	2.49
49–50	37.43	26.83	0.23	27.06	13.95	1.94	2.68
1950–51	42.30	23.31	1.46	24.77	14.00	1.77	3.02
51–52	48.77	22.88	1.23	24.11	15.35	1.57	3.18
52–53	48.90	34.25	1.86	36.11	17.52	2.06	2.79
53–54	48.26	44.53	3.12	47.65	18.20	2.62	2.65
54–55	48.03	59.39	6.35	65.74	18.68	3.52	2.57
55–56	48.68	43.35	8.47	51.82	18.36	2.83	2.65
56–57	50.46	45.15	6.76	51.91	19.96	2.60	2.53
57–58	50.88	72.44	12.63	85.07	21.21	4.01	2.40
58–59	49.34	80.30	25.83	106.13	21.28	4.99	2.32
59–60	**	**	**	**	21.43	**	**
1960–61	**	**	**	**	23.12	**	**
61–62	**	**	**	**	24.02	**	**

*For definition of Normal Contribution Revenue see footnote to Table 11.
**Not available.

139. The new contribution classes adopted in 1950 put the plan in a stronger position having in mind the average rate of benefit then being paid but the amendments of 1952, increasing the benefit rates, reduced the amount of unemployment that could be supported by the contributions. The actual experience remained well within the supportable figure although the influence of Supplementary Benefit is apparent.

140. The rising average rate of benefit in 1956-57 and 1957-58 caused the number of weeks supportable to drop off further until the change in contribution rates in 1959. Approximate figures indicate that this restored the number to about the same as 1952-53.

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141. In 1955, it was estimated that, on the basis of previous experience, the plan would be called on to bear about 2.2 weeks of benefit per person per year for a cost of $47.71. This proved to be far too optimistic as matters turned out. Also, revenue was expected to run at $46.32 per person per year, apart from investment income. Actual experience showed higher contributions than expected and lower average weekly benefit, thus enabling the plan to carry more weeks of benefit than expected but not nearly so many as actually emerged.

142. To show the strength of the reserve fund from time to time, Table 23 shows the balance in the Unemployment Insurance Fund at the end of each fiscal year since the plan began and, also, the amount of the Fund per person in the covered population.

Table 23

BALANCE IN UNEMPLOYMENT INSURANCE FUND AND AMOUNT OF FUND PER INSURED PERSON

End of Fiscal Year	Balance in Fund	Balance in Fund per Insured Person	Balance per Person in terms of Weeks of Benefit at Average Rate
	$'000	$	Wks.
1941–42	43,964	19	....
42–43	114,011	57	5.20
43–44	190,328	86	7.60
44–45	268,034	122	10.53
45–46	317,241	149	11.19
46–47	372,879	164	14.73
47–48	447,735	195	16.82
48–49	529,535	203	16.18
49–50	582,647	222	15.95
1950–51	664,580	221	15.78
51–52	778,199	250	16.35
52–53	851,585	270	15.43
53–54	881,274	273	14.99
54–55	840,692	242	12.97
55–56	854,199	232	12.66
56–57	874,575	221	11.06
57–58	744,200	177	8.34
58–59	499,811	118	5.54
59–60	365,892	85	3.96
1960–61	184,685	44	1.90
61–62	66,598	16	0.67

143. Generally, the financial history of the plan is summed up in Tables 22 and 23. Experience was good until 1954-55 followed by rising unemployment and virtual exhaustion of reserves.

144. The amount of the reserve fund has been reduced from a maximum of $273 per insured person at the end of the fiscal year 1953-54 to only $16 per insured person at the end of 1961-62. Whereas at one time the Fund could have provided more than 16 weeks of benefit for each insured person, by the end of 1961-62 it could provide less than one week. Table 21 shows that the absolute amount of the Fund began to decrease seriously only in 1957-58 but from Table 23 it can be seen that the weakening of the reserve began considerably earlier. There has been a steady fall since 1951-52 in number of weeks of benefit per person represented by the balance in the Fund and a steady fall since 1953-54 in the amount of the Fund per person.

145. It seems to have been generally thought that in the early 1950's the Fund was unnecessarily large and concern was expressed at its continued growth. The amendments made in 1952 and in 1955 evidently stopped the growth in strength but not the growth in amount. However, the principal declines took place in 1954-55 and in 1957-58 and subsequent years.

146. The impact of the high unemployment has been much increased by amendments made from time to time. Of these, the most important was the introduction of Supplementary Benefit in 1950, continued as Seasonal Benefit after 1955. The additional contributions levied to cover the cost of this benefit proved to be more than sufficient to meet the costs before 1955. As a result, regular benefits were increased on the strength of these additional contributions and the government guarantee to pay the excess of the costs of Supplementary Benefit over the revenue derived from the special contribution was abandoned.

147. When the general revision of the plan was made in 1955, the estimated costs of Seasonal Benefit were included in the general contribution structure, but without any government guarantee as a protection against excess costs. In Tables 20, 21 and 22, the effect of Supplementary or Seasonal Benefit can be observed in increasing the benefit payments.

148. The very large amounts of benefit paid out in years of virtually full employment are worthy of note. A year such as 1952-53 which gave rise to an average rate of unemployment of less than 3 per cent never-

theless showed total benefit payments of $136 million, or more than two weeks of benefit for every person who had any contact with the plan in that year (Table 22). The large benefit payments in years of high employment are, to a large extent, the consequence of seasonal unemployment. Even from the outset, the plan covered large numbers of seasonal workers (for example, the construction industry) and amendments made from time to time to bring in additional highly seasonal employments aggravated the effect. The abandonment of seasonal regulations further increased the impact of seasonal unemployment.

149. Apart from seasonal unemployment, the high benefit payments in years of low unemployment must be evidence of an extensive movement into and out of the insured population. No doubt most of this movement is the result of frictional unemployment and is the legitimate concern of unemployment insurance; however, some may be due to the easing of qualifying conditions that has taken place from time to time and to the fact that the maximum duration of benefit payments has been quite long for most of the history of the plan. Persons on the fringe of the labour force have thereby been permitted to draw more benefit than would otherwise have been possible. In addition, there is unquestionably some abuse of the plan on the part of persons who are drawing benefit but do not in fact desire employment.

150. It does not appear that serious financial problems have resulted from undue increases in benefit rates. The relationship between contribution rates and benefit rates has been maintained in such a way that changes in benefit rates from time to time and the addition of new earnings classes have not resulted in more than temporary financial strain, and have sometimes resulted in a strengthening of the financial structure.

151. The existence of an earnings ceiling has, over the years, tended to permit the withdrawal from coverage of employees who, on the average, have relatively stable employment; this tends to weaken the financial structure. It is true that the ceiling for coverage has been raised from time to time in an attempt to extend coverage to about the same segment of the employee group as was covered in the early years. However, such changes could not recapture the lost revenue in the years intervening since the previous adjustment to the ceiling; and because the period since 1941 has been a period of rising wages, the process started again immediately after each increase in the earnings ceiling.

152. It appears that, apart from the general matter of the level of unemployment, the main aspects of the unemployment insurance plan that require attention to strengthen the financial structure are matters of coverage, qualifying conditions for benefit, duration of benefit payments, and payment of benefit to the seasonally unemployed. Abuse of the plan by individuals drawing benefit, although not seeking or intending to accept employment, requires constant attention and has undoubtedly cost a considerable amount over the years but such costs are not identifiable in the statistical tables. It has been very serious not only because of the cost but because such abuse puts the plan in disrepute and tends to grow if not checked. More detailed reference to the problem of abuses is found on pages 38 to 47 in Chapter Two.

Chapter Four

CONCLUSIONS AND RECOMMENDATIONS

I. A PLAN OF UNEMPLOYMENT INSURANCE

1. As stated in Chapter One, we believe that a plan of unemployment insurance should be designed to take the first impact of unemployment and should be based on insurance principles appropriate to a social insurance scheme of this type.

2. The fundamental insurance principle to be kept in mind, whatever the type of insurance, is that insurance is indemnity for loss. Different types of insurance indemnify for different types of loss and the concern of unemployment insurance is to indemnify the insured persons for loss of wages resulting from unemployment.

3. In this connection it is to be noted that a man cannot be said to lose what he never had. It could not be held that if a man normally works from Monday to Friday he has suffered a loss of wages because he is not working (i.e., is "unemployed") on Saturday and Sunday. Similarly, if he normally works from April 1 to December 1 and is normally idle the rest of the year, he cannot be said to have "lost" any wages from December 1 to April 1. It is true that he may need some outside assistance to enable him to tide over the idle period but this is not the concern of insurance and it would be a distortion of an insurance plan to provide such assistance under the guise of insurance.

4. A plan of unemployment insurance should therefore confine itself to payment of indemnity for wages lost by reason of the failure to obtain employment where the person concerned could, in the light of his previous employment record, reasonably expect to have obtained it.

5. It is another general insurance principle that the event insured against must be outside of the control of the insured person or, if it is within his control, it must be undesired so that there is no inducement for him to bring about the event of his own volition. Unemployment insurance suffers particular difficulties in this regard because the event insured against—unemployment—is not always undesired by the insured person. He may bring it about personally (voluntary quitting) or, once unemployed, he may prefer that state to employment. Thus it is important to see to it that the amount of indemnity is not so large in relation to wages as to encourage insured persons to prefer unemployment to employment. On the other hand, from the viewpoint of the social effectiveness of the plan, it is desirable to have the indemnity as nearly as possible equal to the lost wages.

6. The extent of indemnity provided by unemployment insurance should not be more than can be provided while still avoiding undue inducement to stay on benefit, or at least serious removal of incentive to seek and accept employment. The plan should therefore have a benefit structure designed to provide insurance benefits somewhat less than the normal wage. However, the benefit may be a higher percentage of the normal wage at low income levels than at high, and a higher percentage of the normal wage for claimants with a dependent than without. Once unemployed, the economic pressure to seek re-employment is, in general, greater for people of low income than high and is greater on those having responsibility for the support of a dependent than on single persons. Thus for an insurance benefit representing a given proportion of normal wage, the decrease in incentive to seek employment will generally be less for persons responsible for the support of a dependent than for single persons and less for persons normally earning low wages than for persons earning higher wages.

7. The concept of insurance involves the concept of a pooling of the risk or, to use another phrase, a sharing of the losses amongst the insured group. This is usually accomplished by the payment of premiums by or on behalf of the insured persons into a fund to be used to meet the indemnity payments. The successful operation of an insurance plan thus requires that the risk be predictable within some manageable range in order that the premiums may be determined at such a level as to meet the losses and thus accomplish the desired sharing. So far as unemployment insurance is concerned, it appears possible to predetermine an appropriate premium to cover losses arising from more or less normal short-term unemployment. However, losses arising by reason of general unemployment in times of economic depression cannot be predicted in

any reliable fashion or in any such fashion as would make it feasible to prescribe and collect premiums in advance designed to meet the entire wage loss, or even any reasonable proportion of it. Similar comments apply with respect to long-term unemployment arising in any individual case. Here again the circumstances leading to unemployment that lasts beyond some relatively short period are likely to represent some unusual problem, either personal or economic, of such a nature that it passes beyond the range of an insurance plan. Thus it appears that the application of insurance principles to unemployment insurance requires that the plan undertake to indemnify only in respect of reasonably short-term unemployment within some more or less predictable range.

8. The present unemployment insurance plan, although satisfactory enough in its basic structure, has by reason of amendments over the years departed unduly from insurance principles appropriate to such a plan. Undoubtedly each such amendment appeared justifiable at the time in terms of the social problem that the amendment was designed to meet, but as such amendments have accumulated, the insurance concept has been pushed more and more into the background. The existing situation is one where, in attempting to assess the validity of any proposed amendment, it is impossible to determine any consistent set of principles by which the amendment can be judged. The plan is neither a valid insurance plan in its present form nor is it a socially desirable type of income supplement, since in many cases the income supplement goes where it is not needed and fails to go where such supplement should go.

9. Under the existing plan, benefit may be paid to seasonal workers during their off season, even though they have never worked in the off season and have no expectation of doing so. This is an income supplement rather than an insurance benefit. Some claimants may receive benefits that represent amounts far in excess of any insurable interest that the claimant may have. This occurs when the qualification rules permit persons with but intermittent or inconsiderable attachment to insured employment to qualify for relatively long periods of benefit. The plan has been extended from time to time to cover degrees of unemployment that are beyond the proper scope of an insurance plan, as for example, the extension of the period for payment of Seasonal Benefit and the establishment of formulas that may lead to a benefit payment running as long as 76 weeks in individual cases. Coverage has been extended to persons who are not employees in an employer-employee relationship and there is, in such cases, no sound measure of the existence of involuntary unemployment.

10. In the light of the comprehensive program that we are recommending, we believe that the existing insurance plan should be modified to bring it back to a plan based upon insurance principles appropriate to such a scheme. The amendments that we consider necessary to accomplish this will now be discussed.

A. Coverage

11. We believe that to accomplish an appropriate sharing of the losses arising from unemployment, all those who occupy the position of employees in an employer-employee relationship should be covered by the unemployment insurance plan, insofar as coverage is practicable within the necessary administrative requirements. As compared with the existing plan, then, we believe that coverage should be extended to all of the excepted groups who are in the position of employees, subject to exclusion only on administrative grounds. The principal groups that are now excepted are: employees of municipal and federal governments designated by such governments as "permanent"; employees of provincial governments other than those groups of employees made subject to the plan at the option of the provincial government with the approval of the Unemployment Insurance Commission; employees of non-profit hospitals and charitable institutions; teachers; members of some police forces; members of the Armed Forces; employees who are working in agriculture; and domestic servants. There is one further broad excepted class not on an industry or occupation basis; namely, those persons earning more than $5,460 a year and paid on other than a daily, hourly, or piece-work basis.

12. The traditional reason for the exception of groups such as government employees, policemen and teachers has been that unemployment is essentially a feature of industry and consequently coverage should be confined to those who are engaged in industrial employment in all its many varieties. The view was that employments such as government service, teaching and police work were apart from industry and were not subject to risk of unemployment. However, activities of governments at various levels have now extended so widely as to be virtually indistinguishable in many cases from employments that fall within industry. Also, there is active movement of employees between such excepted employments and employment in industry. We believe, therefore, that the traditional reason for excepting such groups, whatever validity it may have had in the past, is not valid now.

13. In our opinion, the fact that these or any other groups carry virtually no risk of unemployment is not a valid reason for excepting

them from coverage. Already covered by the scheme are many groups of employees who have secure employment, indeed employment no less secure than that offered by the excepted classes and perhaps in some cases more secure.

14. With reference to government employees, we are informed that there is no constitutional or legislative difficulty involved in extending compulsory coverage to employees of municipal governments and employees of the federal government. However, we are informed that it is not within the competence of the federal Parliament to apply compulsory coverage to employees of provincial governments. In this connection, we recommend that coverage be extended on a compulsory basis to all levels of government employment insofar as this can be done. Where it cannot be done for constitutional reasons, as in the case of employees of provincial governments, we believe that the co-operation of each province should be sought with the objective of obtaining universal coverage. In any event, we recommend strongly that the existing practice whereby a provincial government may insure certain classes of its employees and exempt other classes, be discontinued. An option of this type will and does result in a tendency to insure only those who are subject to a high risk of unemployment and to exclude those who are in relatively permanent positions.

15. We recommend also that coverage be extended to persons, other than members of religious orders, engaged in teaching. It may be objected that the employer-employee relationship does not exist in teaching to the same extent as in other occupations. We believe that the relationship may be somewhat different but nevertheless we hold to the view that there is no valid reason for excluding those engaged in teaching from the general insurance plan. We believe that the employer-employee relationship is sufficiently close to that generally existing in industry to require coverage of this group in consistency with our philosophy of universal coverage. As noted above, the probability of unemployment is not, in our view, a valid basis for determination of coverage.

16. We recommend that the existing earnings ceiling on coverage be removed and coverage be extended to all persons who are in the position of employees in an employer-employee relationship, without regard to their income. We believe, however, that the insurance plan should extend only to a certain proportion of the income of those in the higher income brackets and consequently we contemplate a maximum limit on the contribution and the benefit.

17. The main reason advanced for the exception from coverage of those earning more than a specified annual amount has been that the unemployment insurance plan should extend essentially to those below the rank of foreman, on the grounds that persons of a higher rank may have a substantial degree of control over their own employment. This suggests that the persons concerned could adjust their employment patterns to work against the insurance fund. Also, the view has been expressed that for persons of high income the risk of unemployment is slight and the need for insurance does not exist.

18. Although the first reason may have some validity in connection with small closely-controlled firms, we do not think that the problem is of such magnitude as to justify an exception from coverage for all persons earning above a specified amount. It seems unlikely that there are more than a relatively few persons who have such a degree of control over their employment conditions that they could contrive to make themselves unemployed at their own choice and so draw benefit. Perhaps the main problem in this area relates not so much to the general class of persons earning more than a specified annual amount, but rather to officers and directors of small closely-controlled corporations. This question will be referred to later.

19. As already noted, we do not accept the criterion of probability of unemployment as a basis for inclusion in or exclusion from the scheme. We are aware of many classes of employment where persons with virtually no risk of unemployment are compulsorily covered by the scheme, whereas those in similar employment conditions and earning a little more are excepted. In our view, the philosophy of universal coverage requires coverage to be extended to all persons in an employer-employee relationship without restriction based upon the amount of earnings.

20. Concerning coverage for employees in agriculture and in domestic service, we are impressed with the administrative difficulties that such coverage would present. We cannot, therefore, recommend immediate coverage for these groups. Instead, we believe that coverage should be extended only when practicable administrative procedures have been devised. We are aware that coverage is already being extended to certain fringes of agricultural employment and we believe that this practice should continue. We recommend that the general principle be followed of extending coverage as broadly as possible so long as the necessary administrative procedures may be carried out to see to it that the rules of the plan are adhered to in a satisfactory fashion.

21. Representatives of employers in agriculture have expressed the view that coverage should be made available to employees in agriculture on a voluntary basis. We do not favour the adoption of the concept of voluntary coverage in any respect. We believe that to do so would not only create financial problems through the tendency for coverage to be elected only in respect of groups that would profit from it, but would also make it difficult and perhaps impossible to justify the philosophy of compulsory coverage in other occupations.

22. It has been brought to our attention that there is at present a special problem in connection with employment in horticulture where there are both office staff and staff employed in greenhouses and in the growing fields. It has been held that the office staff is not engaged in agriculture and so is covered, while the greenhouse staff and field workers are engaged in agriculture and so are excepted. We believe that this creates undue problems, both for the employers concerned and the Unemployment Insurance Commission. We recommend that decisions as to coverage should apply to the entire employing enterprise rather than only to certain groups of employees within it.

23. We do not recommend that coverage be extended to members of the Armed Forces and by analogy we believe that it would be appropriate to except members of the Royal Canadian Mounted Police since this force is organized on lines very similar to those applying to the Armed Forces. In each case enrollment is for a fixed period. The persons concerned are not free to come and go as they choose and the discipline and conditions of employment are quite unlike the normal employer-employee relationship existing in the other areas of the economic system.

24. We find no valid reason for the continuation of the present exception relating to the employees of hospitals and charitable institutions. We note that the extension of coverage to these groups of employees has been recommended on a number of occasions in the past by the Unemployment Insurance Advisory Committee and is sought by the union representing a substantial number of these employees. There are no administrative problems that suggest the continuation of the exception and we recommend, therefore, that coverage be compulsorily extended to the groups concerned.

25. Of other exceptions that are now in effect, some are based primarily on administrative reasons and we do not recommend any change except to the extent that future changes in employment patterns or administrative procedures make it possible to cover the persons concerned. Some exceptions may be based upon the lack of any real

employer-employee relationship. Where such a relationship is lacking, we do not believe that an insurance plan is appropriate. Other exceptions are based on the difficulty of avoiding abuse and we believe that such exceptions should continue, and should be extended as circumstances reveal any new type of abuse. Some points in this connection are mentioned below.

26. One area of existing coverage where an employer-employee relationship does not in fact exist is that relating to the coverage of self-employed fishermen. This question is discussed subsequently in this chapter; consequently it will be sufficient here to state our view that this group should not be covered by the unemployment insurance plan that we are recommending. We recognize that there are many economic and social problems in connection with fishermen and the fishing industry in general, but they are not being satisfactorily solved, in our view, by the attempt to make the existing unemployment insurance plan apply. Indeed, this attempt is leading to difficulties and distortions within the fishing industry and in the application of the plan to other groups.

27. We recommend also that persons under the age of 18 be excepted from coverage. Persons below this age are, for the most part, still at school and their entry into the labour market is likely to be on a part-time basis only, perhaps during holidays, on Saturdays or after school. They are not likely to be eligible for benefits since they would be attending school if not working. If, however, persons below age 18 are neither working nor attending school, the payment of an unemployment insurance benefit is not an appropriate solution to their unemployment problems. Such persons are at the outset of their employment career, a time when steps such as further education, vocational guidance and training, and relocation are most easily applied and are most beneficial. The administrative machinery established in connection with the unemployment insurance plan is not appropriate to deal with the problems of this age group.

28. We are informed that the Unemployment Insurance Commission finds considerable abuse of the plan in connection with family employment; that is, the employment of one member of a family by another whether paid or unpaid. We recommend that these types of employment be excepted from coverage, either by the Act or regulation, since the opportunities for abuse are too great to be adequately controlled by administrative procedures.

29. The exception relating to truck owners who are hired with their trucks to perform certain tasks should, we believe, be extended to apply in a consistent manner where the hiring arrangement covers other major equipment (for example, bulldozers and tractors) supplied by the person hired. Also, the Unemployment Insurance Commission should have the power to except such employment, even where there are separate agreements relating to the equipment and to the personal employment, to prevent fictitious arrangements being made to circumvent the exception.

30. Another exception founded on the prevalence of abuse of the true intention of the insurance plan relates to casual employment. This deserves some comment. The abuse in question arose because, under former regulations, any person could provide unemployment insurance stamps to any workman that he hired for a casual job (lasting six days or more) even though the job might have no relationship to the employer's normal business or industry. This practice gave rise to collusion between individuals to establish a fictitious relationship of employer and employee for the purpose of providing stamps to the person occupying the employee position. The occasions where one person can hire another for a few days' work now and again are innumerable and the opportunities for abuse are great indeed. We recommend very strongly that the existing rules excepting from coverage any casual employment not related to the employer's business be retained. We recognize that there may be some legitimate cases of an employer-employee relationship that are thereby placed outside the ambit of the unemployment insurance scheme but, in our view, the opportunities for abuse and misuse of the scheme that arise through the practice of providing stamps for casual employment are so great as to make it impossible to apply any administrative procedures that will assure that the provision of stamps is restricted to legitimate cases.

31. Briefs presented to us have in some cases suggested that when an employee is temporarily absent from his employment on union business he should be permitted to continue his contributions just as though he were an employee of the union. Examples have been produced to show that an employee who secures leave of absence from his employment to serve his union on a temporary basis is at a disadvantage as compared with another person doing similar duty for a union but who is employed by the union directly. We recognize the distinction between the two cases but, in our view, coverage under the unemployment insurance plan should be limited to persons occupying the employee side of an employer-employee relationship. We

do not believe that a union member serving his union on a committee or for some special project, not being an employee of the union, occupies this special position and we do not recommend that this case be made an exception from the general rule that coverage under the plan be limited to employees.

32. There is at present a general exception from coverage in respect of officers and directors of corporations. The exception extends to any person who is both an officer and a director of a corporation, other than a person who can show that he does not in fact perform the functions and duties of the position. The basis for this exception is that, were it not in effect, persons who are normally self-employed could form a corporation and have themselves hired by it as employees. They would thus establish, technically, an employer-employee relationship and so become covered under the insurance plan. Since they would own and control the corporation, they could have themselves laid off by the corporation in a slack period and so qualify for benefit. Under the existing plan, with coverage limited to those earning less than $5,460, it is not likely that many officers and directors of corporations are affected by the exception. We are, however, recommending that coverage be extended to all employees regardless of income, and the question arises whether the exception relating to officers and directors of corporations should be continued. We do not think that it would be appropriate to continue such a general exception merely to avoid a relatively small area of abuse and we recommend, therefore, that the exception be ended. However, to control the abuse we recommend that the Unemployment Insurance Commission be empowered at its own discretion to except any employment where, in its view, the employment is in its true nature substantially self-employment or family employment, whether there is a corporation involved or not.

B. Contributions and Financing

33. Under the existing plan, the premium payments provided to meet the losses are shared by the insured employees, their employers and the government. The premium or contribution payable by each insured employee is determined on the basis of his wage class, each employer contributes an amount equal to the contribution by his employees and the government contributes one-fifth of the total employer-employee contribution.

34. It is reasonable, in carrying out the principle of a sharing of loss, to expect the insured persons to make a contribution. They are the

beneficiaries under the plan and thereby secure not only indemnity for loss of wages when unemployment strikes but also the ability to tide over a period of unemployment in the sense that some income is made available and the opportunity is offered to seek employment suitable in the light of their skill and experience. They are freed from the economic pressure to seek any type of employment regardless of acquired skills and experience. Furthermore, we believe that if employees share the cost, they gain thereby an effective voice in any considerations or discussions respecting the scope of the plan and amendments to it.

35. We do not believe, however, that the insured persons should be required to carry the entire burden. If some degree of unemployment is regarded as almost unavoidable, the burden of that unemployment should not rest exclusively on the employee side of industry. We believe that the cost of a plan of unemployment insurance should be shared by employers. Such a sharing of insurance costs is consistent with the general approach to the insurance of many risks that affect employees as is illustrated by the widespread application of group insurance.

36. Having in mind the purpose that an unemployment insurance plan is to serve in the program that we have outlined, we believe that it is appropriate that the cost of benefits be shared equally by employers and employees and that there be no contribution from the general taxpayer towards the basic insurance plan. The adoption of the principle of universal coverage for all those engaged as employees in an employer-employee relationship would ensure that nearly all those who have any chance of suffering unemployment would be covered. Consequently, we think that the cost should be shared by those groups and that other members of the community representing principally the self-employed and the few remaining groups of employees that are not covered by the plan should not be asked to share in this general insurance plan. Thus we recommend that there be no contribution from the government to the insurance plan (except in its capacity as an employer), at least so far as the funds necessary to pay benefits are concerned.

37. We believe, however, that the present practice whereby the administrative costs are met from the general treasury should be continued. Adequate administration is a most essential feature in the operation of any widespread social insurance program such as unemployment insurance. We do not think that the extent and efficiency of administration should be dependent upon money in the Insurance Fund. Administrative problems and the cost of administration are likely to be at a peak when unemployment is high, a time when the Fund will be

under its greatest strain to meet benefit payments. If the Fund were required to carry administrative expenses as well as benefit costs, there might be a tendency to cut back on administrative expenses just when administrative problems should be receiving increased attention.

38. It is in the national interest that any plan for the payment of benefits on such a widespread scale as would result from unemployment insurance be administered in such a way that it is fair to all and that abuses be kept to a minimum. The responsibility for seeing to it that the established rules are adhered to is one that is linked to the responsibility for applying the compulsion that makes all employees members of the plan. In addition, it is to be noted that a substantial portion of present administrative costs stems from the operation of a national employment service and this is essentially a community responsibility. Further, the administrative machinery should be designed in such a way as to make available as much information concerning the insured population as will be useful in the carrying out of a national employment and manpower program. For all of these reasons, we recommend the continuation of the present practice whereby administrative expenses are met by the government from its general revenues rather than by the Insurance Fund.

39. To summarize, then, we recommend that the insurance plan be supported by contributions shared equally between employees and employers with no contribution from general tax revenues except the amounts required to administer the plan.

C. Contribution Methods

40. In our general consideration of the problems placed before us we have thought it appropriate to limit our study to the general principles that should be adhered to in a program of support for the unemployed. We have therefore avoided, so far as possible, entering into discussion or consideration of detailed administrative procedures. We believe that it is appropriate to leave to the administrators on the scene the decision as to the most efficient methods of carrying out the established principles. In a scheme such as unemployment insurance, however, affecting as it does such large numbers of people in such varied circumstances, some aspects of administrative procedures bear directly on the carrying out of basic principles contemplated by the plan and the avoidance of abuse. We have felt it desirable, therefore, to study and comment upon certain administrative procedures.

41. One of these administrative areas relates to the methods used to determine and collect contributions and to the use of a record of contributions to measure attachment to insured employment, to determine eligibility for benefits and to determine the rate and the duration of benefits.

42. In the application of the principle of indemnity for loss, it is necessary to arrive at a measure of the insurable interest of each claimant; i.e., at a measure of the loss he has suffered by reason of unemployment. This can be determined in an objective way only by examining the actual employment record of the individual concerned. Thus the plan must contain administrative procedures to enable such an examination to be made.

43. Under the existing plan a contribution must be made by and on behalf of each insured person for each week in which he performs any insured employment. The amount of the contribution is determined on the basis of the earnings in the week. The contribution record shows whether a contribution was made for the week, or not, and records the amount of any contribution made. It does not, however, record the number of days of work during the week.

44. The contribution record may consist of an unemployment insurance book in which the employer places a stamp of appropriate denomination for each week in which there is any insured employment, or it may consist of an unemployment insurance book in which the record of a contribution is imprinted by means of a postage meter, or again it may consist of an unemployment insurance book having attached to it a separate contribution card recording the individual weeks and the amount of contribution for each week. The rules relating to qualification for benefit and amount of benefit entitlement are then based on the weeks of contribution. It can be seen that in these circumstances a "week of contribution" may represent anywhere from one day to six (or even seven) days of work.

45. In our view, the best test of attachment to insured employment is a test based upon the extent of such employment within some prescribed period. Any such test should, we think, apply in a uniform manner to all insured persons. Tests based upon weeks of contribution where a contribution may represent anything from one day to six days of work do not adequately measure attachment to insured employment and do not operate in a fair manner as between one insured person and another. We believe that tests of attachment to insured employment should be based upon the actual days worked in that employment. If

convenient, the tests can be expressed in terms of weeks of employment but in that context a "week of employment" should mean a complete working week. Broken weeks of employment would be converted to complete weeks at the rate of five days of work equalling one week. We believe that tests designed in this way would operate in a fair and uniform manner amongst the insured persons and would also enable the tests to be designed on an objective basis having in mind the extent of attachment to insured employment that is considered to be sufficient to permit qualification for benefit.

46. In order to permit tests to be applied on this basis, it is necessary for the contribution record to show not merely the weeks in which a contribution has been made but to show also the actual number of days worked in any week that has not been a full working week for the person concerned.

47. There is another problem in connection with the determination of contributions and rates of benefit. Under the present plan, contributions are based upon actual earnings in the week and benefits are based upon the average weekly earnings over a period of 30 weeks as computed from the record of weekly contributions. A person earning $16.00 a day will contribute in the wage class "$69.00 and up" if he works five days in the week, but in the wage class "$27.00-$33.00" in a week in which he works only two days. His benefit rate would be determined not in relation to his normal earnings rate of $80.00 a week but, instead, in relation to his actual weekly average, giving the same weight to a partial week as to a full week. Thus it may be to the disadvantage of an insured person to accept work for part of a week since his benefit rate in a subsequent claim might thereby be reduced.

48. This is a real problem under the existing plan as is illustrated by the fact that subsequent to the adoption of the weekly contribution system in 1955, an amendment was made preventing the benefit rate from dropping more than one class below the rate established at the last previous claim. This has, however, gone too far and some persons are, by virtue of this provision, drawing benefit at a rate out of all proportion to their insurable interest as shown by their recent employment record.

49. We believe that the contribution system should be based upon wage classes established in terms of a weekly earnings rate for full-time employment, and the contribution for a broken week should be an appropriate proportion of the contribution for a full week in the wage class represented by the full-time weekly rate of earnings. Further, the

benefit rate should, in our view, be based upon the weekly rate of earnings for full-time employment over a recent period of the employment history. These changes would provide an indemnity more in accordance with the actual loss of wages resulting from the unemployment.

50. In the light of the above remarks, we recommend that where an insured person works for the full working week for an employer, a contribution be required for that week based upon the earnings of the week and that where an insured person works less than the full working week for an employer, a contribution be required for each day worked equal to one-fifth of the contribution that would have been required had the work extended for a full working week. We recommend also that the contribution record for each insured person show not only the amount of the contribution for each week but also, in respect of partial weeks of employment, the actual number of days worked. We recommend that the qualification tests for benefit be expressed in terms of full weeks of work, with broken weeks being converted to full weeks at the rate of five days of work equalling one week, and that the rate of benefit be based upon the average contribution per full working week over the 20 most recent full weeks (or the equivalent in broken weeks) of employment.

51. This is substantially the system in effect before the amendments of October 1955, the principal change being that a partial week of employment would require contribution at the rate of one-fifth of the full weeks' contribution for each day worked instead of one-sixth as formerly, and would carry a correspondingly higher credit towards qualification for benefit. This change is justified, we believe, because of the fact that the majority of the insured population are now working a five-day week.

52. These recommended changes in the contribution procedure would unquestionably involve some additional administrative complexity both for employers and for the administrators of the unemployment insurance plan. However, it is known that the general procedure is administratively feasible because it was in effect for some 15 years, and we think the procedure is necessary to enable the application of adequate tests of attachment to insured employment and the determination of an appropriate benefit entitlement.

53. Our view in this connection is further strengthened by the fact that many persons are now qualifying for benefit under the existing scheme with but little real attachment to insured employment. They are

thus becoming entitled to benefits at the expense of other contributors without any adequate justification. It may well be that the persons concerned are not large in number compared with the total insured population but they involve persons on the fringe of insured employment who are able to dip in and out of such employment almost at will. By virtue of working one or two days a week they are able to qualify for substantial periods of benefit. It is true that the benefit so obtained would usually be at a low rate but in our view no benefit should be paid to persons who are not attached to insured employment in any substantial way.

54. We think that the contribution record should show the actual time worked in insured employment and that the contributions and benefits should be based on the weekly rate of earnings for full-time employment. Beyond this, we do not think that the method of collecting contributions or the method of establishing the contribution record is of basic importance so far as principles of the plan are concerned. However, these methods may be of importance as respects administrative procedures, and we shall make a brief comment concerning some suggestions that have been placed before us for consideration.

55. Some views have been expressed to us to the effect that the present stamp system should be abandoned and that, instead, a system should be adopted whereby contributions are remitted directly by employers to the Unemployment Insurance Commission. The contribution record would be obtained from the employer on request or would be handed to the employee when his employment terminates. This suggestion is usually accompanied by the further suggestion that contributions be determined on the basis of a percentage of payroll (subject, presumably, to some maximum contribution in any individual case) and that the existing system of wage classes for contribution purposes be abandoned.

56. First, in connection with the matter of direct remittance and the contribution record, we have found that under present practices a large number of employers are in fact operating on a direct remittance method. These employers are on the so-called "bulk pay" system and remit their contributions and employees' contributions directly to the Unemployment Insurance Commission. A record of the employment and contribution history of each employee is kept on a separate ledger card. This card is affixed to the employee's unemployment insurance book at termination of employment or at the time of the annual exchange of old unemployment insurance books for new. Thus the

inconvenience of purchasing and affixing adhesive stamps to a book is avoided. This method is available generally to employers who maintain reliable records and have a stable work force. For employers who have not adopted the bulk pay system, the procedure of affixing the stamp record by a postage meter is available, or the adhesive stamp system can be used.

57. We thus find that within the present administrative procedures different types of employers can be accommodated. We believe that there is a considerable advantage in an adhesive stamp for those who employ small numbers of employees and have a large turnover. We think also that there is much advantage in having the contribution and employment record in a book belonging to each employee as compared with a system that involves the accumulation of a series of termination slips handed to the employee each time his job terminates; identification is more positive, errors are less likely and the possibility of fraud is reduced.

58. As respects the use of a "percentage of payroll" basis for contributions compared with the system of earnings classes, it appears to us that the administrative advantages contemplated are much less where a contribution is required from employees than they would be if a contribution were required only from employers. Where a contribution is required from employees, it is necessary to determine the contribution in absolute amount so that an appropriate deduction can be made from the employee's pay. Also, the percentage would not apply in a uniform manner to the whole payroll if there is to be a maximum contribution. Thus the matter would not be one simply of applying a single factor to the whole payroll and remitting the amount so determined. In addition, the percentage of payroll system is not as easily adapted to producing a record of actual time worked as is a system based upon earnings classes, and we place great importance on such a record. Where a "percentage of payroll" contribution system is in use for unemployment insurance, the practice is to determine qualification for benefit on the basis of earnings during a specified period rather than on the basis of time worked. We think that qualification tests based on time worked are fairer since they do not give a special advantage to persons with high earnings as compared to persons with low earnings and they are more objective in determining attachment to insured employment.

59. We do not, therefore, recommend any change in the present contribution procedures other than those already specified. We believe, however, that the Unemployment Insurance Commission should continue its efforts to extend the bulk pay system as far as it can be

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extended in an efficient and useful manner since that system seems to provide a saving in administration as compared with methods involving the affixing of stamps to a book.

D. Qualification for Benefit

60. A plan of unemployment insurance should be designed in such a way that it will constitute a protection from a hazard that threatens those who normally occupy the position of employees in an employer-employee relationship; i.e., those who would suffer by reason of unemployment. It should not be designed in such a way that qualification for benefit is so easy as to attract people into insured employment merely for that purpose. Consequently, while anyone who enters insured employment should be required to contribute under the plan from the first day of his employment, we do not think that he should be permitted to qualify for benefit on becoming unemployed until he has worked for some time in that employment. The minimum time required should be enough to establish that insured employment has an important, if not the principal place in his manner of earning a living, and enough to establish a presumption that he has not entered insured employment principally for the purpose of qualifying for benefit.

61. In addition to testing the extent of attachment to insured employment, qualification tests should also require some degree of recent attachment. Otherwise, a person might be able to qualify for benefit long after he had dropped out of the labour force. Further, the qualification tests should contain some requirement as respects requalification after an insured person has drawn a period of benefit. Once the benefit entitlement for a particular benefit period is used up, it would not be reasonable to permit the insured person to requalify unless he had a record of further employment since the benefit period was established. To do otherwise would enable a further amount of benefit to be obtained on the basis of the same employment record. This would defeat the purpose of the "benefit formula"; namely, to provide an amount of benefit that bears some relation to the insurable interest of the claimant as revealed by his previous employment record, and to limit the application of the unemployment insurance plan to relatively short periods of unemployment.

62. Under the existing plan, the test of attachment to insured employment is the requirement of a least 30 weeks of contribution in the two years preceding the claim. The requirements as to recency and requalification are found in two further tests, the first calling for at least eight weeks of contribution in the period of one year preceding the claim or

in the period elapsed since the establishment of the last preceding benefit period, whichever period is shorter, and the second calling for at least 24 weeks of contribution in the period of one year preceding the claim or in the period since the establishment of the last preceding benefit period, whichever period is longer.

63. In our opinion, these tests are unsatisfactory in two principal respects. The first is that they are based on weeks of contribution, and in this context a week of contribution may represent anything from one to six days of work. Thus it is possible for persons to qualify for benefit on the basis of an inconsiderable attachment to insured employment provided it is spread over a large enough number of weeks. The second is that the tests are unduly complex. They are hard to understand and hard to apply.

64. The existing plan has a further set of qualification tests relating to Seasonal Benefit. This benefit is available from December 1 of each year to the following May 15 and qualification requires at least 15 weeks of contribution since the March 31 preceding the claim, or requires that a period of regular benefit have terminated subsequent to the May 15 preceding the claim.

65. These tests are also unsatisfactory, in our view. A period of 15 weeks of attachment to insured employment is too short to justify the payment of an unemployment benefit under an insurance plan. We believe that it is relatively easy for persons who are normally not in insured employment, or even in the labour market, to obtain 15 weeks of contribution and so qualify for benefit. This is emphasized when it is noted that a "week of contribution" may represent as little as one day of work. Also, the 15 weeks of contribution required may, in some cases, represent the same 15 weeks that were used to establish a claim for regular benefit. Thus the requirements as to requalification set forth in the tests for regular benefit are defeated.

66. As respects the other test for Seasonal Benefit, namely, a record of termination of a regular benefit period subsequent to the preceding May 15, we believe that while qualification for a period of extended benefit may reasonably be related to a previous period of regular benefit, it is not sound to let such a long time elapse, with possibly no record of contribution or attachment to the labour force, while still preserving entitlement to Seasonal Benefit. Qualification for a period of extended benefit should be closely linked to the period of regular benefit to preserve the true character and intent of the concept of an extension.

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67. We have examined the qualification tests used in a number of plans of unemployment insurance in effect in other countries. In most cases the test is based upon the employment or contribution record in the one year immediately or closely preceding the claim. The usual requirement seems to be about 25 or 26 weeks of employment in the year preceding the claim. Some plans require as little as 20 weeks but rarely less. Some plans also call for additional contributions in respect of the first claim. The problem of requalification seems to be most commonly dealt with by requiring a year to elapse after establishment of a benefit period before permitting a subsequent benefit period to be established; in effect, the required number of weeks of employment must be subsequent to the establishment of the last preceding benefit period.

68. We believe that a test requiring at least 20 full weeks of employment (or the equivalent in broken weeks) in insured employment in the one year preceding the claim provides an appropriate test of recency of attachment and, except for new entrants and persons who move into and out of insured employment frequently, is probably adequate as respects the extent of attachment. To meet the problem posed by the new entrants and those who move into and out of insured employment frequently, we think that there should be a further test of attachment calling for a minimum of 30 full weeks of employment (or the equivalent in broken weeks) in insured employment in the two years preceding the claim; this corresponds generally to the basic test of attachment that has been in the existing plan throughout its history. The 30 weeks required by this second test would not be in addition to the 20 weeks in the first test; the same weeks of employment might be used in both tests.

69. To deal with the problem of requalification, we believe that the best course is to require that in seeking a minimum of 20 weeks of employment in the one year preceding the claim, only weeks of insured employment that occurred since the beginning of the last preceding benefit period be taken into account. This appears to us as preferable to adopting the requirement of some other unemployment insurance plans whereby at least a year must elapse after the establishment of a benefit period before a subsequent period may be established. We think that it would be unduly severe to deny benefit to a claimant who has exhausted his entitlement but has enough "new" weeks of employment to meet the qualification tests.

70. We recommend, therefore, that qualification for the establishment of a benefit period be that the claimant has a record of at least 30 full weeks of employment (or the equivalent in broken weeks at the rate of five days equalling one week) in insured employment in the two years preceding the claim, of which at least 20 weeks have occurred in the one year preceding the claim and since the beginning of the last preceding benefit period, if any. The qualification requirement could be expressed equally well in terms of full weeks of contribution since a week's contribution would, under our recommendation, be evidence of a week of employment in insured employment. We recommend also that the existing rules under which the periods taken into account for qualification purposes may be extended in certain circumstances, continue to apply.

E. Duration of Benefit

71. As already noted, qualification for benefit, on becoming unemployed, should be limited to persons who can show a reasonable degree of attachment to insured employment both as to extent and recency. Once a person meets these qualification tests the next question is one of determining the duration of benefit to which he is to become entitled. In some plans of unemployment insurance in effect in other countries this problem is dealt with by using a uniform duration for all persons who qualify. In other plans the duration is related to the employment record. In our view, a plan that relates the duration of benefit to the employment record is the better approach of the two. Having in mind the wide variety of circumstances that a nation-wide insurance plan is required to cover, we believe that the formula for determining the duration of benefit should take into account the employment record and thus establish, to some extent at least, a connection between the indemnity paid on the occurrence of unemployment and the extent of the attachment of the insured person to insured employment. This has been the pattern used in Canada since the unemployment insurance plan has been in effect and we believe that it is a sound approach to the problem. It results in much greater equity between the person who has a record of solid employment and the person whose employment is only intermittent, and a better application of the principle of indemnity for loss.

72. The formula for regular benefit (as distinguished from Seasonal Benefit) in the existing plan provides one week of benefit for each two weeks of contribution. The formula in effect before the major change in 1955, although it was more complex in its terms, resulted in substantially the same relationship of benefit to contribution record. We recommend, therefore, that in a revised plan, the benefit formula provide one

week of benefit for each two full weeks of contribution (or the equivalent in broken weeks) occurring in the 52 weeks preceding the claim and since the beginning of the last preceding benefit period, if any. Since, according to the qualification tests that we recommend, a person must have a record of at least 20 weeks of contribution in this period to qualify for benefit, this formula will result in a minimum of 10 weeks of benefit. The maximum would be 26 weeks. It appears to us that this formula represents a reasonable relationship between benefit and the interest the insured person has established in insured employment.

73. Basing the formula on the employment record in a period of 52 weeks preceding the claim results in simplifying the calculation but carries with it the disadvantage that it puts additional emphasis on the recent employment record as compared with previous formulas that were based on a longer period. However, we believe that the advantage of simplifying the calculation and the record keeping outweighs the desirability of using a longer base period.

74. The maximum benefit period of 26 weeks represents a sharp reduction from the maximum of 52 weeks now available but a reduction that is, we think, wholly justifiable and indeed essential if the insurance plan is to be confined to unemployment that is insurable. We believe that an insurance plan cannot undertake to cover the risk of unemployment for a greater period without beginning to depart from insurance principles, and to assume burdens that should properly rest in other places. In our view, a continuation of unemployment benefit for a full six months to a person who has had a solid employment record for a year should provide enough time to enable the person to become re-employed if his unemployment is of the type that should be the essential concern of an insurance system. If unemployment continues beyond that period we think that generally it stems from some causes that require special treatment and should be dealt with in a manner different from that appropriate to short-term unemployment.

75. For persons with a broken employment record, we think that shorter periods are appropriate in recognition of equity between different classes of employees and recognition of the true insurable interest of the persons concerned.

76. It may be noted that 90 per cent of the claims under the existing plan would be fully met if the maximum period of benefit were 26 weeks instead of 52. Thus the reduction would not affect more than a small proportion of the claimants.

F. Rate of Benefit

77. Recognition of the concept of insurable interest requires attention not only to the duration of benefit but also to the rate of benefit. Having in mind the wide variation of income levels between different parts of Canada and between different classes of employees, we believe that it would be impossible to settle upon a single rate of benefit appropriate for all areas. Instead, we believe that the principle now in use whereby the benefit is related to the normal earnings of the insured person up to some maximum limit is the most appropriate both from the point of view of equity and from the point of view of enabling the plan to best fulfil its purpose; namely, to indemnify the insured person for loss of earnings by reason of unemployment.

78. In theory it might be argued that the rate of benefit should be equal to the rate of earnings since the full rate of earnings measures the loss that the insured person has suffered. However, for most employees the "take-home pay" is less than the gross earnings, and the take-home pay is probably better than gross earnings as a measure of the actual loss suffered. Also, in practice it must be recognized that a rate of benefit that is unduly high in relation to earnings or in relation to living costs can have the effect of greatly reducing the incentive of an unemployed person to seek work. The objective should be to achieve a rate of benefit that is sufficiently high in relation to earnings to enable a person to tide over a relatively short period of unemployment, without being so high as to constitute an inducement to any significant number of claimants to remain on benefit rather than seek employment. Also, there should be a maximum limit on the benefit, regardless of earnings, since high benefits may be much above living costs even though much less than gross earnings in the higher brackets. They may therefore tend to remove incentive to work.

79. Under the present plan the standard used is substantially that of providing a benefit equal to 50 per cent of the insured wage for claimants having a dependent, subject to a maximum benefit of $36.00 weekly. In the lower earnings classes, however, the ratio of benefit to normal wage may be higher. (See Table 19 on page 93.) This recognizes that in the lower earnings classes it is necessary to provide a benefit that bears a somewhat higher relationship to normal earnings in order to enable a person to tide over a period of unemployment.

80. It is our view that the 50 per cent standard used in the design of the existing plan is somewhat low. We have received evidence that in a

substantial number of cases, persons on unemployment insurance are required to resort to assistance schemes to obtain supplementation so that they may maintain a minimum standard of living. There are no adequate statistics to show how widespread this supplementation has become, but there is no doubt that it exists. We do not think that a somewhat higher benefit standard would result in any substantial diminution of the will to work although we recognize that some maximum limit must be in effect. It appears to us appropriate to establish a general benefit standard of 60 per cent of the insured wage for claimants with a dependent, rather than 50 per cent as at the present time, and to increase the benefit standard for claimants without a dependent in a consistent manner. This standard could be graded up as at present in the lower income classes. Such a plan would, on the basis of the present wage classes, provide a maximum benefit of about $44.00 weekly for a claimant with a dependent compared with the present maximum of $36.00, and about $33.00 weekly for a claimant without a dependent compared with the $27.00 at present.

81. In considering rates of benefit, reference has been made to a maximum benefit. Under the present plan the maximum wage class recognized by the plan is one covering persons earning $69.00 a week and more. In effect, only the first $69.00 of weekly wage is insured. The benefit available in the top wage class is $36.00 a week for persons with a dependent and $27.00 a week for persons without a dependent. The rate of $36.00 a week for a person with a dependent represents about half the normal wage for persons earning slightly more than the minimum of the wage class. For a person earning, say, $100.00 a week, however, the maximum benefit of $36.00 represents only a little more than one third of his normal earnings. It appears to us that in the light of the proportion of the insured population now in the top wage class (see Table 2 on page 52), the present benefit standards provide a benefit of considerably less than 50 per cent of normal wages for a very substantial proportion of the insured population. In these circumstances, we believe that an increase should be made in the portion of normal earnings that is insured. We recommend, therefore, that an additional wage class be established encompassing all those earning $80.00 a week and more. For this class we recommend, on the 60 per cent standard, a maximum benefit of $48.00 a week for persons with a dependent; for persons without a dependent we recommend a benefit of $36.00 a week. On this basis we believe that the benefit rate would represent a more

satisfactory relationship to normal earnings for the bulk of the insured population.

82. In view of the fact that the above recommendation would increase the number of earnings classes and so increase the administrative problems to some extent, and the fact that the two lowest classes together now contain only 1.3 per cent of the contributors and will contain even less if the classification is made on the basis of the weekly rate of earnings for full-time employment rather than on the basis of actual earnings, we recommend that the two lowest earnings classes "under $9.00" and "$9.00 and under $15.00" be combined into one class "under $15.00".

83. The suggestion has been made that instead of having only two benefit rates available in each wage class, one for claimants without a dependent and a higher rate for claimants with a dependent, the plan should provide for additional higher benefit rates related to the number of dependents. We have considered this suggestion but we recommend in favour of the continuation of the present benefit structure. The existence of a program of family allowances as part of the general social security program goes a long way to meet the social objective of benefit rates related to the number of dependents. We do not favour the use of the unemployment insurance plan to extend this program.

84. We believe that the payment of a higher rate of benefit to claimants having a dependent than to single claimants can be justified without abandoning the insurance character of the scheme. It is true that employees without dependents would pay the same contribution rate as employees with dependents, but it is also true that employees would pay only half the contributions required to support the plan. Thus the employer's contribution would pay part of the cost for both classes of employees but a somewhat larger part for employees with dependents. There is, then, no inequity between the two classes of employees so far as their contribution rates are concerned. The same circumstances exist substantially under the present plan.

85. The following table shows the wage classes and rates of benefit under the existing Act and also illustrative rates of benefit that would be in accordance with the increases we recommend. These rates should be taken as illustrative only and subject to such minor changes as may be required for convenient administration.

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Table 24

PROPOSED EARNINGS CLASSES AND RATES OF BENEFIT

Earnings Class	Existing Weekly Rates of Benefit		Proposed Weekly Rates of Benefit	
	Without Dep.	With Dep.	Without Dep.	With Dep.
$	$	$	$	$
0 and under 9.00 9.00 and under 15.00	6	8	8	10
15.00 and under 21.00	9	12	10	13
21.00 and under 27.00	11	15	12	16
27.00 and under 33.00	13	18	15	20
33.00 and under 39.00	15	21	17	23
39.00 and under 45.00	17	24	19	26
45.00 and under 51.00	19	26	22	29
51.00 and under 57.00	21	28	24	33
57.00 and under 63.00	23	30	27	36
63.00 and under 69.00	25	33	30	40
69.00 and under 80.00	27	36	33	44
80.00 and over	—	—	36	48

G. Allowable Earnings

86. Under the existing plan benefit is paid on a weekly basis. Any person who has suffered unemployment during a week may, if he is otherwise qualified, claim benefit for that week. The amount of benefit payable is the maximum prescribed for the claimant's wage class less any earnings during the week in excess of a specified minimum amount. This minimum amount is referred to as the amount of "allowable earnings" for the particular wage class. Under the existing plan, the amount of allowable earnings represents approximately 50 per cent of the maximum benefit in the class.

87. In our view, the amounts of allowable earnings now permitted are excessive and would be even more excessive in the light of the increase in the maximum benefit rates contemplated by our recommendations. If the benefit rates were to aim at a standard of 60 per cent of the insured wage for claimants with a dependent and if allowable earnings were permitted to stand at 50 per cent of the maximum benefit, a claimant would still be able to draw some benefit when his earnings were as high as 89 per cent of his insured wage. By working only long enough to earn the specified amount of allowable earnings for his class he could still draw an income from insurance and earnings combined

equal to 90 per cent of his insured wage. Many persons might consider that 90 per cent of normal income for one or two days of work is preferable to 100 per cent for five or six days of work. In such circumstances there is little financial incentive to perform any work in a week once the prescribed amount of allowable earnings has been reached. In fact, some evidence was placed before us that suggests that even under present benefit standards, a combination of benefit and allowable earnings is high enough in many cases to remove the incentive to work beyond one or two days in a week unless work is available for the whole week.

88. We recommend that the allowable earnings be reduced to represent about one-quarter of the maximum benefit in each wage class rather than one-half as at present. With an increase in the general standard of benefits as contemplated by our recommendations, this would permit a claimant with a dependent who has had earnings equal to or in excess of the allowable earnings for his class to receive insurance benefit to the extent necessary to bring his income from insurance benefit and earnings combined to about 75 per cent of his normal insured earnings. In the lower earnings classes where the benefit rate would exceed 60 per cent of the normal wage, the combination of benefit and allowable earnings would represent an even higher proportion of the normal wages. While opinions may differ concerning the level of benefit that will induce a claimant to prefer idleness and insurance benefit to work and earnings, it is our view that no insurance benefit should be paid that would have the effect of bringing the combination of benefit plus allowable earnings to more than approximately 75 per cent of the normal insured earnings in the principal earnings classes. We see less objection to allowing the ratio to rise somewhat higher in the lower earnings classes because of the practical necessity of establishing a benefit rate sufficient to enable the maintenance of a minimum standard of living.

H. Seasonal Unemployment and Seasonal Benefit

89. Under the present plan a basic program of regular insurance benefits is supplemented by a program to provide what is known as Seasonal Benefit. This benefit is available during the period running from December 1 to the subsequent May 15 and is available to persons who can show some attachment to insurable employment but cannot qualify for regular benefit, and also to persons who have exhausted their regular benefit. The benefits are "seasonal" in that they are confined to a certain season of the year and no doubt they are availed of to a very considerable extent by persons who are in seasonal occupations and who

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find themselves unemployed in a regular pattern during the winter months of each year. The payment of Seasonal Benefit is not, however, confined to persons who are occupied in seasonal employments in the normal sense in which that term is used. It might be more appropriate, therefore, if this program were referred to as a program of "Winter Benefit" rather than "Seasonal Benefit".

90. Under the program that we recommend, Seasonal Benefit in its present form would disappear. It would be replaced to a substantial extent by the plan of extended benefits to be described subsequently, and the existing unemployment assistance plan.

91. We may say that the existing Seasonal Benefit was the subject of more criticism in briefs that we received than perhaps any other single feature of the existing plan. It appeared to us that the criticism rested on two points. The first was that to a substantial extent the recipients of Seasonal Benefit are persons who are engaged in seasonal employment and expect to become unemployed during the winter months of each year as a regular pattern. Thus the critics complained that the benefit is not an "insurance" benefit at all but is, instead, a subsidy to persons who are engaged in insured employment for only part of the year as a regular pattern. The objection was not so much that persons who work in insured employment only part of the year receive a subsidy during the off season, but rather that the subsidy is drawn from the insurance plan and is financed by insurance contributions.

92. The other major criticism related to the qualification for Seasonal Benefit. Many critics felt that, having in mind the maximum duration of 52 weeks for regular benefit, the addition of up to 24 weeks of Seasonal Benefit resulted in an unduly long period of benefit to be financed by any insurance plan. Further, they felt that the qualifications for receipt of Seasonal Benefit Class A were too easy. These require only 15 weeks of contribution since the March 31 preceding the date of claim, and, as already noted, 15 weeks of contribution might represent as little as 15 days of work. Many persons seemed to feel that the payment of Seasonal Benefit would perhaps not be objectionable in itself if it were financed by the general taxpayer rather than by those who were contributing to an insurance plan.

93. The problem of dealing with seasonal unemployment, using this term to represent unemployment arising in a regular pattern by reason of the impact of the seasons on certain types of employment, extends beyond the question of Seasonal Benefit. This problem has received considerable attention during the history of the existing plan and the

efforts to devise and administer appropriate regulations that would avoid the payment of benefits to persons who were in the off season of their normal employment have been referred to in Chapter Two. At the present time there are no such regulations in effect and persons can draw insurance benefit without regard to the repetitive seasonal nature of their unemployment. Thus a considerable amount of regular benefit (as distinguished from Seasonal Benefit) is paid to persons who expect to become unemployed at a certain time each year as a regular pattern.

94. A plan based upon insurance principles should be required only to provide indemnity for loss. As already noted, it cannot be held that a person has lost wages during an idle period when his past work pattern shows that he had no expectation of working during that period.

95. Efforts to devise appropriate regulations to avoid the payment of benefits during the off season of seasonal occupations have in the past been based on the principle of attempting to identify certain industries as seasonal. Persons employed in seasonal occupations within these industries were required to meet certain additional conditions before they became entitled to benefit in the off season. Such regulations were beset with many difficulties. Seasonal patterns vary widely from one part of Canada to another and an industry that is seasonal in one area might be a year-round industry in another. Also, the extent of the employment fluctuation that would cause an industry to be classed as "seasonal" had to be determined in an arbitrary way. Thus it was never possible to devise any wholly satisfactory regulations that were acceptable to all concerned.

96. The fact is that unemployment insurance really applies to individuals, not to industries, and there are many types of employment in Canada that, although not seasonal in themselves, enable persons to move in and out at will. Thus an individual may, of his own volition, have a seasonal pattern in his employment although the occupation to which he is attached is not in itself seasonal. Further, many industries have a considerable seasonal fluctuation although they do not close down completely in the off season. In such circumstances some part of the work force will be continued but there will be some layoffs in a seasonal pattern. It was almost impossible to deal with the seasonal problem on an industry basis where the fluctuation was not wide enough to enable the industry to be definitely classified as a seasonal industry.

97. To solve this problem we believe that the best approach is to have regard for the individual work pattern of the insured person. If that work pattern shows a period of unemployment occurring in a certain season

of the year and repeated in the same season for several years, the implication is that the person concerned has a seasonal pattern either by reason of his occupation or by reason of the work pattern that appeals to him. Such persons should not be entitled to insurance benefit in the off season established by their own employment record.

98. We recommend, therefore, that regulations be adopted under the insurance plan to provide that the employment record of each claimant be scanned for a two-year period preceding the date of claim. Any gap in the contribution record of five or more weeks occurring within the period from 52 weeks to 104 weeks preceding the claim, that is matched by a corresponding gap falling at the same place in the calendar in the period from zero to 52 weeks preceding the claim would establish an off season for that particular claimant and no regular benefit would be available to him in that off season with respect to the benefit year established at the date of claim.

99. A minimum period of five weeks is suggested to avoid a capricious effect that might result if a person suffered illness or had a gap in his employment record for some reason not related to seasonality. Also, such a minimum would avoid the application of the regulations in minor cases of unemployment.

100. It may be noted that a similar procedure is followed under the unemployment insurance plan in effect in Great Britain and appears to work in a satisfactory fashion.

101. Such regulations would have to make special provision for persons who have entered insured employment during the two-year period for the first time or after an absence of some time. For such cases the regulations should apply only from the appearance of the first contribution in the two-year period. Special provision would have to be made also on a transitional basis as respects persons that become insured by reason of extension of coverage. Here reliance would probably have to be placed on a personal statement of the claimant as to previous employment history; this statement would be used as a basis for applying the regulations as nearly as possible in the way that they would have applied had the coverage during the two-year period been in accordance with our recommendations.

102. We recommend that any week in which less than three days of work is recorded should be considered as representing a gap in the employment record for the application of this rule. Otherwise, it would

become too easy to avoid the rule merely be getting the odd day of work; an inducement would thereby be held out for collusion between employees and employers for this purpose.

103. Seasonal regulations of this nature would be intended to exclude from the insurance plan any unemployment that recurs in a regular manner as part of the normal work pattern of the individual. Such regulations would avoid much of the problem that has arisen with relation to seasonal employments under the present plan. However, in our discussion of the plan of extended benefits later in this chapter, we are recommending that, subject to certain conditions, benefits under that plan be available to persons who are unemployed by reason of a regular seasonal fluctuation in their employment pattern and who would therefore be unable to qualify for regular benefits because of the proposed seasonal regulations.

I. Abuses

104. The principal classes of alleged abuse that were drawn to our attention in representations made to us, apart from the question of payment of benefit to seasonal workers during their off season as just discussed, related to (a) the drawing of benefit by married women who are not in fact seeking employment; (b) the drawing of benefit by persons who have retired on pension and who are not in fact seeking employment; (c) the taking of too narrow a view by claimants and possibly by the administration as to the types of employment that constitute "suitable employment" in any individual case; (d) the failure by some claimants to disclose earnings during weeks of partial unemployment; (e) the failure by some claimants to disclose the true facts concerning their availability for employment; and (f) collusion between employers and employees in failing to give adequate information respecting the reasons for termination. We shall discuss these in turn; certain other abuses in connection with coverage have already been discussed in section A of this chapter.

(a) Married Women

105. By reason of the ability of some married women who are not the sole support of their household to work in industry or not work, as they choose, they have an unique ability to move into and out of the labour force at will. The extensive growth in the service industries in recent years with their special demand for women has made this type

of employment pattern more readily available than it might have been under other conditions. Thus, while not suggesting that only married women abuse the plan through drawing benefit while not genuinely seeking work, it seems reasonable to conclude that some married women are in a particularly favourable position to use the insurance plan in this way.

106. A further problem arises in connection with this class of insured persons in that many women who are employed in industry withdraw from such employment on or shortly after marriage. In so withdrawing some may file claim for benefit and draw benefit as long as they are able to do so; i.e., until benefit is exhausted or until they are referred to suitable employment and are disqualified for failing to apply for or for refusing an offer of employment.

107. It has also been brought to our attention that in many cases married women whose employment has terminated by reason of pregnancy, file claims for benefit and are able to draw benefit although their availability for employment is extremely doubtful.

108. At one time regulations were in effect that required married women to meet certain additional conditions subsequent to their marriage before qualifying for benefit. When in effect, these regulations provided, generally, that where a woman voluntarily left her employment at or within two years following marriage, she would be disqualified for benefit for that period of unemployment; these regulations did not apply if she had a record of a specified minimum number of weeks of contribution subsequent to marriage.

109. In the views placed before us, there were many complaints concerning the abuse that arises in this general area and some recommendations that the married women's regulations be restored. Other submissions, while admitting some abuse, took the view that the abuse amongst married women was not greater than that amongst other classes of claimants and strongly opposed any special regulations applying only to married women.

110. We have given these questions careful consideration by reason of the prevalence of the complaints concerning them and we do not recommend the enactment of special regulations relating to married women as such. We recognize that the abuses complained of do exist but we are not satisfied that they can or should be cured by regulations setting up special conditions for one class of insured persons.

This is not to say, of course, that any such abuses should merely be tolerated without effort to control and remove them. We believe that the changes we are recommending as respects the qualifying conditions and the maximum duration of benefit, will to a considerable extent reduce the abuse arising from claims by persons who are employed in an intermittent fashion or who have in fact withdrawn from the labour market. We recommend in addition a more active program of claims supervision and more vigorous follow-up of cases where referrals to job opportunities have been made without successful placement. Moreover, steps should be taken to improve the accuracy of information given by employers as to reason for termination of employment. All of these steps would help to control abuse of the plan by claimants who are not really in the labour market, whether they be married women or any other class of claimant.

111. With respect to pregnant women, the question at issue is really one of availability for employment. At the present time pregnant women are considered unavailable for employment for a period of six weeks before and six weeks after confinement. We recommend that a women whose employment terminates by reason of pregnancy be considered as unavailable for employment until eight weeks after confinement; and that if employment terminates for any other reason, a woman who is pregnant be considered unavailable for employment for eight weeks before and eight weeks after confinement. Further, we believe that any married woman who has children below school age should be considered unavailable for employment unless she can prove to the satisfaction of the Unemployment Insurance Commission that she has made satisfactory arrangements for the care of the children should she receive an offer of employment.

112. Regulations of this type would not be intended to discriminate against pregnant women or the mothers of young children but they would be intended to preserve the insurance character of the unemployment insurance plan by preventing payment of benefit to persons who are in fact unavailable for employment. It has been pointed out in briefs submitted to us that an unemployment insurance plan should not be made to provide benefits that are properly within the sphere of some other social security plan. If it is desired as part of a general program of social security to provide maternity benefits for women who are normally engaged in industrial employment, this should be considered on its merits and should not be swept in as part of an unemployment insurance plan.

(b) Pensioners

113. The complaints relating to the abuse of the plan on the part of pensioners are largely of the same type as the complaints relating to married women as noted above. The fact is that persons who have retired on a pension are, if their pension is other than a very small one, free to accept work or not as they choose. Thus they are to some extent in the same position as married women who are not the sole support of their families, since they are substantially relieved of the economic pressure to obtain employment.

114. It appears that there are a considerable number of persons who have retired on pension and have in effect withdrawn from the labour market, but who, nevertheless, file claims for unemployment insurance and succeed in drawing benefit. No doubt the cases cover a wide range from those retired persons who have only a small pension and must find work in order to sustain themselves, through the group who have a reasonably adequate pension and would work if some job that appealed to them could be found, to the extreme of the persons who have no intention of taking a job of any type but are drawing benefit on the general philosophy that they will get all they can from the plan. It is perhaps only the latter group that should be the subject of severe criticism, but having in mind the difficulty of finding suitable employment for persons who have passed the retirement age for their regular employment, it is extremely difficult to isolate and control this area of abuse.

115. It is our view that unemployment resulting from compulsory retirement pursuant to an employer-employee pension plan is not a type of unemployment that was ever intended to be covered by an insurance plan. The termination of employment does not arise from any of the usual reasons that cause unemployment; instead it results from an established and generally socially desirable program providing that when an employee has reached a moderately advanced age he will be relieved of the compulsion to attend work daily and will receive in compensation a regular income for the rest of his life. We do not think that anyone would suggest that persons who have retired from their normal employment and have been granted a pension should be barred from participation in the labour market. A real question does arise, however, concerning the extent to which an insurance plan should assume the obligation of paying compensation to such persons if they are unable to obtain employment.

116. There appears to be no difficulty at reaching a decision with respect to persons who are in receipt of a pension that is reasonably adequate in comparison with their normal earnings. The case of those who have retired with very small pensions is, however, more difficult. They have not in fact been relieved from the economic necessity of earning a living and to this extent the basic social purpose on which employer-employee pension plans are based is not achieved. It is difficult to hold to the view in such cases that such persons should be barred from participation in the unemployment insurance plan.

117. This problem has received extensive attention from the Unemployment Insurance Commission and from the Unemployment Insurance Advisory Committee almost from the time that the existing plan came into effect, without an effective solution. In the early years of the plan the problem was not of any consequence because of the high level of employment and because of the fact that it took some time before benefit rights were built up to a maximum. When the problem became more pressing in subsequent years it became correspondingly more difficult to deal with. In our view, the matter should not be allowed to continue in its present state.

118. We are convinced that there is some degree of abuse of the basic intention of the unemployment insurance plan on the part of persons who have retired from their normal employment and are in receipt of adequate pensions. We believe also that if coverage is extended to all employees regardless of earnings there will be a substantial increase in the number of retired persons covered by the plan who have reasonably adequate retirement pensions; thus the extent of this type of abuse would increase with this broadening of coverage.

119. We recommend, therefore, that the pension received on retirement under an employer-employee pension plan be treated as earnings for purposes of determining benefits under the unemployment insurance plan. Thus, to the extent that the pension exceeds the allowable earnings, a deduction would be made from the insurance benefit otherwise payable. Having in mind our recommendations concerning rates of benefit and allowable earnings, this would permit a pensioner having a small pension and being otherwise entitled to benefit in any of the earnings classes other than the top class, to draw some benefit, the limit being the smaller of the full benefit for his class or the amount required to bring his total income from insurance benefit, earnings and pension combined to about 75 per cent of his normal earnings (or somewhat more in the low earnings classes). For pensioners

otherwise entitled to benefit in the top earnings class, the maximum benefit available would be the smaller of the full benefit for the class or the amount required to bring his total income from insurance benefit, earnings and pension combined to $60.00 a week. These figures relate to claimants having a dependent; if there is no dependent, the limits would be somewhat less.

120. In the application of regulations of this type, care would have to be taken to see to it that employer-employee pension plans are not set up in such a way as to permit an employee to retire and have his pension deferred until he has had opportunity to exhaust the available unemployment insurance benefits. Our recommendation is that the basic idea be set out in the Act or in regulations as may be considered appropriate, and that power be retained to adopt additional regulations to correct any abuses that seem to be growing up by reason of attempts to avoid the intention of the provision.

121. We believe that these regulations should apply to all retirement pensions arising out of a contract of service and to income payments given as indemnity for a temporary period for lost wages under workmen's compensation or employer sickness or disability insurance plans. They should not apply to pensions paid under the Old Age Security Act, nor to pensions arising on occurrence of permanent injury, whether in respect of military service, under workmen's compensation legislation or under employer-employee insurance plans.

(c) Suitability of Employment

122. In some of the presentations made to us it was suggested that the rules of the Unemployment Insurance Commission relating to the types of employment that would be considered suitable for a claimant are not sufficiently flexible. These suggestions seemed to stem from the feeling that claimants are allowed to be too selective concerning the employment that they will take. It was felt that the Unemployment Insurance Commission should be more ready to require persons to seek or accept employment in occupations alternative to their principal occupation. We have given consideration to these views but we do not find that the policies hitherto prescribed by the Commission are open to valid criticism. In our view, the purpose of a plan of unemployment insurance is to permit the insured persons to tide over a period of unemployment without requiring any major upset in occupation, residence or living standards. During the time that the insurance benefit

is available we believe that it is reasonable to try first to find employment opportunities that are close to those that the claimant has been accustomed to and are suitable in the light of his experience and recent employment history. We agree that after some limited period the employment offices might well refer the claimants to alternative employments, and we believe that this practice can now be followed within the terms of the existing Act and regulations. We do not, therefore, recommend any change in the existing Act or regulations in this respect so far as the insurance plan is concerned. We do, however, have some views to express in this connection with respect to the plan of extended benefits. There we recommend a broader approach to the concept of suitable employment than we think is appropriate in an insurance plan.

(d) Failure to Disclose Earnings

123. The Act provides that the benefit otherwise payable to a claimant who has suffered unemployment in a particular week will be reduced by the amount of the claimant's earnings during the week in excess of the prescribed amount of allowable earnings. Each claimant is therefore required to disclose his earnings for each claim week and deliberate failure to do so constitutes fraud on the Fund. There is no doubt that some claimants fail to give accurate and complete information concerning earnings but it is impossible to determine the full extent of this abuse. It has been pointed out in Chapter Two that of all probably fraudulent claims, 80 per cent were due to failure to disclose earnings.

124. To the extent that the earnings arise from insured employment, they will be recorded in the claimant's insurance book and may be discovered by a post-audit procedure. We understand that the Unemployment Insurance Commission now follows a practice of carrying out post-audit procedures for a large proportion of claims and thereby brings to light many of the cases where earnings were not properly reported. We believe that this practice should continue and we recommend that efforts be made to increase these auditing procedures with the objective of checking every case. Such procedures should, eventually, eliminate fraudulent concealment of earnings in insured employment although there will inevitably be cases where failure to disclose earnings arises from ignorance or forgetfulness.

125. Post-audit procedures based on an examination of the insurance books cannot, of course, reveal earnings from own-account work or

uninsured employment. There is no one thing that can cure this abuse but much can be accomplished by continued vigilance on the part of the administrative staff and by extensive inspection of claims in the field. If claimants learn that concealment of earnings is difficult and that prosecution will follow where concealment is discovered, the extent of this abuse should fall.

(e) Availability for Employment

126. It appears that many cases occur where a claim is filed by an unemployed person who is in fact unavailable for employment. If unemployment is heavy it may be impossible to test such claimants by an offer of employment and so benefit is paid that should not be paid if the true facts were reported. We have no complete solution for this problem; no means have yet been devised to ascertain the true intentions of a claimant if he does not wish to disclose them. We believe, however, that properly designed interviews with claimants may yield the true facts in many such cases and we recommend continued efforts in this direction. The interviewing officers must however receive the full support of their superiors if this technique is to be effective and all those having responsibility in connection with the adjudication of claims must be imbued with an understanding of the true nature and intent of the plan in this regard; namely, that benefit is payable only where the claimant is truly available for and capable of employment and that justice to the main body of contributors demands that no one receive benefits unless clearly entitled to them.

(f) Information Supplied by Employers

127. Some submissions made to us have indicated concern with respect to the practices followed by some employers in reporting reasons for termination to the Unemployment Insurance Commission. It was suggested that this information is not accurate or complete in all cases. Sometimes cases of voluntary separation are reported as lay-offs, thus enabling the person concerned to go on benefit immediately as compared with suffering a disqualification for up to six weeks.

128. We believe that it is essential to the proper functioning of a scheme of unemployment insurance that all those concerned realize the principles on which the plan is based, and pay attention to these principles and the part they play in the operation of the plan. We think, therefore, that employers should be diligent to see to it that their reporting of the reason for termination of employment is accurate in all cases.

We recommend that the Unemployment Insurance Commission undertake a vigorous campaign of education aimed at demonstrating to employers the importance of accurate reporting. We recommend also that the Commission use the power now available to it to prosecute employers who can be shown to have supplied false information. There can be no justification for employers failing to co-operate in the proper administration of the plan. Not only is the basic function of the plan thereby destroyed, but those employers who do attempt to follow proper practices are placed at a disadvantage in their competition for labour.

129. In this same connection, it has been suggested that employers may at times be reluctant to give accurate and complete information to the Unemployment Insurance Commission as regards cause of separation because of fear of libel suits by aggrieved employees. We do not believe that this fear is well founded or that there is any need for statutory provisions making such information privileged communication. We are advised that the giving of information pursuant to the requirements of a statute does not expose one to an action for damage for libel or slander, even if the information given is not true but is given without malice. Accurate reporting in this connection would do much to correct abuses arising from certain groups, particularly married women.

J. Termination Pay

130. A problem somewhat related to the problem of retired persons in receipt of pensions concerns amounts received at termination of employment, although the termination may not represent retirement because of age. Examples of such payments are payments received as bonuses, gratuities or severance pay at termination of employment, and holiday pay or credits given to an employee at separation. We believe that the principle discussed earlier in connection with retirement pensions applies to these types of termination pay also and we recommend that they be considered as earnings for purposes of benefit payments under the unemployment insurance plan. Where a lump sum is received on termination, we recommend that the employee be regarded as being in receipt of earnings at his normal weekly rate for a number of weeks following termination determined by dividing the lump sum by the normal weekly rate of earnings.

131. This recommendation raises a question in connection with contributions. If a person who is in receipt of termination pay is regarded as being in receipt of earnings at his normal weekly rate for a number of weeks following termination of employment and is, as a

result, ineligible for benefit during those weeks, should they be considered as weeks of employment and so give rise to contributions and credits towards future claim entitlement? We recommend that they should not be so regarded.

132. We believe that these various types of termination pay should be taken into account as earnings for benefit purposes in recognition of the insurance character of the plan we are recommending. An employee who receives the equivalent of a number of weeks' pay on termination of employment has suffered no loss of wages by reason of that termination, and thus no insurance indemnity should be forthcoming unless and until unemployment extends beyond that number of weeks. The recognition of this principle does not, however, require the creation of a fictitious employer-employee relationship during that period with all the administrative and other difficulties that such a fiction would create.

K. Waiting Period

133. Under the present plan the waiting period consists of one week in the case of continuous unemployment and the equivalent in financial effect in the case of unemployment that is not continuous. While there have been some suggestions that this waiting period should be eliminated and others that the waiting period should be increased, it is our view that a waiting period of one week represents a reasonable rule in combination with the rule relating to allowable earnings. We believe that the retention of a waiting period is desirable since it avoids the necessity of processing a large number of small claims and it provides an inducement to employees and employers to avoid the odd day of unemployment. It does not result in a reduction in benefit to claimants who suffer long periods of unemployment and exhaust their benefit rights. We do not recommend that any change be made in this provision.

L. Merit Rating

134. A number of the presentations made to us have suggested that the experience of individual employers or sometimes of individual industries or classes of industries be taken into account and be used as a basis for fixing the rate of contribution payable by those employers, or employers in the specified industries, as the case may be, to the insurance plan. While it was not made clear, we presume that

the contribution rates required of the employees of such employers would be similarly adjusted. We are aware that procedures of this nature are followed in most of the unemployment insurance plans in effect in the United States. They are not, however, followed in the unemployment insurance plans in any other countries.

135. We have given consideration to these views but we recommend in favour of a general pooling of the risk with contribution rates that vary only by earnings class rather than in favour of a method that takes into account the unemployment experience arising from individual employers or industries.

136. We believe that the changes we are recommending in the insurance plan will substantially remove the factors that lead to the suggestion of merit rating. These changes would remove the more glaring inequities in the present plan.

137. We do not propose to discuss in extensive detail the pros and cons of merit rating. Much has been written on this subject and a detailed discussion would indeed be a lengthy exercise. It will, we think, suffice for present purposes to indicate, as follows, the main reasons why we do not recommend the adoption of a system of merit rating.

(1) We favour a system of broad pooling of risk and this is the foundation of our recommendation for universal coverage. We believe that the frictional unemployment that can properly be taken care of by a plan of unemployment insurance is a more or less normal phenomenon of a free economic system, but it emerges strongly in certain industries and occupations in the system and scarcely at all in others. This variation is not, however, the result of particular management decisions. It is, instead, a function of the basic nature of the industry or enterprise and is largely beyond the control of the employers concerned.

(2) A plan of merit rating would have the result of raising the contribution rates for some of the basic industries that play an important part in Canadian export trade; this would put them at a competitive disadvantage in the international markets.

(3) We have not observed any decisive evidence to substantiate the claim that the operation of a merit rating system would have any significant effect in reducing unemployment.

(4) The adoption of any such system would create serious administrative problems, particularly in the Canadian scheme involving as it does the contributions from employees as well as from employers. So far as employees are concerned, the risk of unemployment may in some cases vary on the basis of seniority or occupation within an industry just as much as it does from one industry to another.

(5) The argument is sometimes advanced that if unemployment insurance contributions are adjusted to take into account the actual unemployment experience in a given industry, the consumers of the product concerned bear an appropriate charge for the unemployment related to that particular industry. An industry that has high unemployment would have to pay high contributions and these in turn would be reflected in the price of its product. The argument is that this results in a proper economic distribution of the cost of unemployment.

We find that this argument is not consistent with the view often expressed that merit rating has its principal justification in the incentive it creates to reduce unemployment and thus reduce the contribution rate. If the additional charge resulting from higher contribution rates is passed on to the consumer, then it cannot represent any incentive to the employer. If it is not passed on to the consumer, then it does not have any effect in spreading the economic cost of unemployment. The fact is that it is extremely difficult, if not impossible, to judge where the effect of an increase in contribution rates for a particular industry will eventually come to rest in the economy. Frequently, perhaps usually, this depends upon the nature of the product and the nature of the competitive market in which the product is sold. Industries servicing the export market would be at a particular disadvantage in this respect since they are perhaps least able to pass on higher costs to their consumers because of international competition. In such cases, the result of merit rating would be an increase in the cost for export industries by reason of unemployment that is not within their control.

(6) There is some evidence to suggest that the existence of merit rating encourages undesirable practices on the part of some employers. They may tend to oppose claims merely for the sake of improving their position with respect to merit rating.

They may oppose socially desirable extensions of the unemployment insurance scheme for the same reasons, and they may indulge in practices relating to hiring and firing of employees designed to minimize the effect on the unemployment insurance plan.

138. In summary, our considerations of the problem has led us to recommend that the practice be continued in Canada of a general pooling of the risk and the use of rates of contribution that vary only by wage classes.

M. Disqualifications

139. Under existing practice, if an employee voluntarily leaves his employment without just cause, he will be disqualified for benefit for from one to six weeks even though his contribution record meets the qualification tests. After the expiration of the disqualification period, however, he can commence to draw benefit if suitable employment is not available, and may then draw his full entitlement if this is less than the remainder of his benefit year. Thus the disqualification in such cases results in a postponement of benefit but not in a decrease of benefit. A postponement of benefit does not, in our view, constitute any real penalty with respect to those members of the labour force who can and do move into and out of the labour force at will.

140. We do not recommend a permanent disqualification from benefit for persons who leave their employment voluntarily, although the view may reasonably be taken that in an insurance plan no indemnity should be paid to a person who voluntarily brings about the event that he is insured against. We feel that it is important to maintain as much freedom as possible for an individual to choose or to change his employment when he wishes. It is essential, therefore, to recognize a claim for benefit when an employee leaves his employment voluntarily if he can show that he had just cause for leaving. However, it is not always easy to judge when the reason for leaving constitutes a "just cause". We believe that to adopt a rule involving permanent disqualification in the event of voluntary termination of employment would be too severe a restriction on the freedom of movement of employees. On the other hand, we feel that the contributors to the insurance plan should not be required to bear the full cost of insurance indemnity when an insured person brings about the occurrence of the event insured against at his own volition. We recommend, therefore, that any disqualification with respect to voluntary termination of employment without just cause have

the effect not only of postponing the benefit entitlement of the person concerned but also the effect of reducing the entitlement to the extent of the disqualification.

141. We recommend also that any disqualification resulting from the refusal of a person to accept an offer of suitable employment should similarly become a penalty disqualification rather than merely a deferment of benefit.

N. Supplemental Unemployment Benefit Plans

142. In recent years a number of employers have established plans for the payment of supplemental unemployment benefit. These plans are usually the result of union negotiation and are designed in such a way that when employees of the particular employer are laid off and become entitled to unemployment insurance benefits, those benefits will be supplemented from a fund established by the employer. The payment of the supplemental benefit from the employer's fund is linked to and is dependent upon the payment of unemployment insurance benefit, except in some specially defined circumstances. The question arises whether this supplemental benefit should be considered as earnings or not. If it is considered as earnings, then the effectiveness of the supplemental unemployment benefit plans is greatly reduced since the unemployment insurance benefit would have to be reduced to the extent that the supplemental benefit exceeds allowable earnings. The argument has been advanced, and apparently accepted by the administration, that the supplemental benefit payment is not in fact earnings for the employee.

143. While bearing some superficial similarity to termination pay, supplemental unemployment benefit payments are different in several important respects. An employee is entitled to the benefits only so long as he is unemployed and (subject to minor exceptions) is drawing unemployment insurance benefit. Thus he does not have an individual personal title to the payments as he would have to termination pay, regardless of whether he obtained employment or not. It is difficult to hold to the view that the supplemental unemployment benefit payments are compensation for work performed by the individual. We are concerned, however, with the fact that the supplemental unemployment benefit, when added to the normal insurance benefit and allowable earnings, may sometimes result in an income to the claimant that is equal to or even in excess of his normal earnings. In such cases, there is little incentive for the unemployed person to seek alternative employ-

ment even on a short-term basis, and the obstacles placed in the way of the Employment Service in its effort to find work for the claimant are great indeed. The existence of such plans may thus defeat the considerations taken into account in fixing the rate of benefit in relation to normal earnings and in determining the amount of allowable earnings.

144. Whatever may be the arguments concerning whether these supplemental payments are earnings or not, we believe that if they are large they tend to threaten the proper functioning of the unemployment insurance plan. We believe also that the increases we are recommending in the benefit rates and the addition of another wage class will, to a considerable extent, remove the need for supplemental payments.

145. We recommend, therefore, that supplemental unemployment benefit payments to which any claimant is entitled, or to which he would be entitled if in receipt of unemployment insurance benefits, be treated as though they were earnings for purposes of computing the benefit payable from the unemployment insurance plan, subject, however, to a special provision applicable to claimants in the top earnings class.

146. In the top earnings class the sum of the weekly benefit rate and the amount of allowable earnings, both in accordance with our recommendations, is equal to 75 per cent of the weekly earnings at the bottom of the earnings class for claimants with a dependent and to 56¼ per cent of those earnings for claimants without a dependent. However, where the claimant is in receipt of normal weekly earnings above the minimum of the class, the ratio of the sum of benefit and allowable earnings to normal earnings would be lower. We do not think that it would interfere with the proper operation of the insurance plan if supplemental unemployment benefit payments were permitted to the extent necessary to permit the total income to reach these percentages in terms of the actual weekly earnings.

147. We recommend, therefore, that for claimants in the top earnings class the unemployment insurance benefit be the smaller of the benefit that would be paid apart from the supplemental unemployment benefit plan or the amount necessary to provide the claimant with a total income for the week from earnings, supplemental unemployment benefit and unemployment insurance benefit combined, equal to 75 per cent of his normal weekly earnings if he has a dependent and 56¼ per cent of his normal weekly earnings if he has no dependent. For this purpose, we recommend that the normal weekly earnings be taken as the average weekly rate of earnings over the period used to determine

the rate of insurance benefit, ignoring the maximum limitation used for the insurance plan; i.e., $80.00 a week under our recommendation. The application of this rule would, of course, require the administration to obtain additional information as to the earnings of the claimants concerned, since the contribution record under the unemployment insurance plan would classify the top earnings group as merely $80.00 a week and up.

148. For a claimant in the top earnings class whose normal earnings are, say, $100.00 weekly, the maximum unemployment insurance benefit available according to our recommendations would be $48.00 a week if he had a dependent. The rule that we recommend as respects supplemental unemployment benefit payments would permit such a claimant to draw supplemental unemployment benefit payments up to $27.00 a week without reduction in the unemployment insurance benefit (assuming that there were no earnings during the week). Any higher supplemental unemployment benefit would result in a corresponding reduction of unemployment insurance benefit.

O. Continuation of Benefit when Claimant Directed to Training Course

149. We believe that it would be appropriate, where a claimant has been directed to take a course of training, to make use of the general vocational training programs that are now being developed. Such persons should, we believe, become eligible to draw training allowances while taking a training course and should not continue to receive unemployment insurance benefits. Retraining of the work force is a matter of community interest and can reasonably be expected to be carried out at the expense of the community rather than at the expense of the Unemployment Insurance Fund. In providing training facilities for an unemployed person, the community is attempting to make it possible for him to re-enter the labour force and thus become a productive member of the community. He is no longer in a state of unemployment such as is contemplated under the unemployment insurance plan.

150. It has been suggested too, that there is the possibility of emphasis being placed on finding a job for an insurance claimant as compared with referring him to a training course, even though the latter might be the best both for the claimant and the community in the long run. The former action might be taken because of a desire to reduce the claim load on the insurance plan. We believe it desirable to avoid any possible conflict of interests of this nature. We recommend, there-

fore, that where claimants are directed to training, living allowances be provided as part of the general vocational training program and unemployment insurance benefits be discontinued.

P. Labour Disputes

151. Under the existing plan insured persons who have lost their employment by reason of a labour dispute in which they have taken some part or have some interest are not eligible for benefit. The refusal to cross union picket lines is considered to be evidence of taking part in the labour dispute that has led to the establishment of those lines. We believe that this rule is sound and should apply whatever the reason given for failure to cross the picket lines. Sometimes employees fail to cross picket lines by reason of threats of force, real or alleged. If an exception is made for such cases, we believe that an inducement is created to the use or threat of force on a picket line, since non-striking employees who refuse to cross the picket line would then be eligible for insurance benefits; furthermore, we do not think that the administration can undertake to determine whether the threats were real or not. A further important consideration is that the use of force on picket lines is illegal; the remedy is a proper enforcement of the law, not an overt condoning of the illegal action by payment of benefits under another statute.

152. A further problem has arisen in connection with labour disputes; this relates to a labour dispute that affects a number of different premises. It appears that interpretations of the existing legislation require that a labour dispute that affects a number of different premises be treated as a separate dispute at each of these premises. The consequences of this interpretation have been extensive and costly both in terms of benefit paid and in administration expense.

153. The main problems have arisen in connection with the construction industry where several different unions may have master agreements with an association of contractors and where there may be many different premises within the area covered by the agreements. Where a dispute arises under one of these agreements it is, of course, a dispute involving all members of the union in the area covered by the agreement. If a work stoppage occurs at one or more premises by reason of the dispute, all members of the union concerned who lose their employment as a result of the dispute are ineligible for benefit; so far there is no special problem. The difficulty arises in connection with sympathizing workers who participate in the dispute by refusing to cross picket lines at one or more projects. We recommend that any

such refusal by workers of a given grade or class at any project constitute participation in the labour dispute by all workers of that grade or class not only at the project where the refusal took place (which is the present rule) but also at all other projects in the area covered by the agreements that gave rise to the original dispute.

Q. Rates of Contribution

154. In earlier sections of this chapter we have discussed the method of collecting contributions with particular attention to the determination of earnings classes and the use of a contribution record as a measure of attachment to insured employment. However, no reference has been made to rates of contribution.

155. The determination of rates of contribution—i.e., the premiums for insurance coverage—must necessarily await the determination of the other features of the plan. The contribution rates must be such as to provide enough revenue to meet the benefit payments as these average out over a period of years. They must, therefore, be based not only on the terms of the plan but also on some assumptions concerning the economic climate within which the plan will likely have to operate. The economic climate involves both the level of employment and the level of unemployment; the level of employment will determine the revenue yielded by any particular set of contribution rates and the level of unemployment will determine, in general, the benefit load to be carried by the plan.

156. As respects the revenue of the plan, past experience shows that changes in employment conditions such as those occurring in recent years have had but little effect. Revenue has changed little from year to year apart from changes in contribution rates. The average number of contributions per person per year has remained practically constant even in the face of relatively wide swings in unemployment. There has been some increase in the absolute amount of revenue by reason of the normal growth in the insured population and increases in salaries and wages, but this can be ignored for present purposes since such influences would be offset by corresponding growth on the benefit side.

157. As respects the benefit load to be carried by the plan, it may be noted first that the number of unemployed persons in the labour force is not synonymous with the number of persons drawing benefit under the insurance plan. Some persons may be unemployed but unable to qualify for benefit; some may have exhausted their insurance benefits and still be without work; some may be drawing benefit though

not seeking employment and so not declaring themselves as "unemployed" in the Labour Force Surveys. However, experience shows that there is a strong correlation between the number of unemployed persons in the labour force and the number of persons on the unemployment insurance benefit rolls.

158. It is impossible to predict the levels of unemployment in future years with any degree of confidence. About all that can be done in this regard is to determine from past experience and a projection of known trends, some probable range within which future unemployment experience may lie. However, as will appear, we do not think it necessary to settle upon any precise figures as to future unemployment experience, having in mind the present condition of the Unemployment Insurance Fund, the existing contribution rates and the changes that we are recommending in the plan. For the reasons outlined below, we are led to recommend the continuation of contribution rates at approximately the existing levels (subject to the adoption of a suitable rate for the new top earnings class) until experience shows an improvement in unemployment rates as compared with the recent past, and until some reserve is accumulated in the Fund.

159. As a first move, calculations were made to determine the probable benefit load that would result if the terms of the plan were changed in accordance with our recommendations and on the basis of several different assumptions concerning future unemployment experience. Calculations were also made to determine the probable annual revenue resulting from the present level of contributions having in mind the broader coverage we are recommending and the addition of a new wage class. The calculations were based on the assumption of a contribution of $1.05 per week from each person in the new top wage class, with an equal amount from his employer. This rate was used in the calculations since it bears approximately the same relationship to the proposed benefit rate for the new class as existing contribution rates in the other classes bear to the proposed benefit rates in these classes. As a result of these calculations, it appears that the present contribution rates, with an appropriate comparable rate for the new top class of $80.00 a week and up as noted above, would support the plan that we are recommending over the next several years even if the average rate of unemployment should be as high as 6 per cent.

160. An average rate of unemployment of 6 per cent over a period of years is a very high rate indeed and it is strongly to be hoped that the actual rate of unemployment in future years will be substantially less. However, we could not ignore the fact that past experience has

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shown that the actual rates of unemployment have exceeded this level and have remained high for at least a short period of years. We considered also, that in making calculations to determine the effect of the changes that we are recommending in the terms of the plan, some degree of uncertainty is inevitable. Such calculations must be based on adaptations of past experience but it can never be known in advance, with certainty, how the insured population will adapt to a revised plan. For example, the revision in the qualification rules for benefit, particularly in comparison with the present qualification rules for Seasonal Benefit, may result in a considerable change in work patterns; this would result in a benefit load different from that expected on the basis of past experience. Also, the Unemployment Insurance Fund is virtually exhausted and it is highly desirable that some reserve fund be built up as quickly as possible.

161. Having the above considerations in mind, we recommend a continuation of the contribution rates and wage classes at approximately the existing levels, subject to the changes mentioned earlier in connection with partial weeks of employment, the addition of a new class to cover those earning $80.00 a week and up (with a contribution rate related to the higher benefit), and the amalgamation of the two lower classes into one. It may be, of course, that administrative requirements will call for some minor revisions in earnings classes and contribution rates to implement our recommendations. We see no objection to such revisions so long as the general levels are maintained.

162. Should experience in the next few years prove to be favourable, opportunity will be afforded for the Fund to accumulate some necessary reserves. When the reserves have reached a reasonable level, we believe that the contribution rates should be adjusted to prevent undue growth in the size of the reserves. It would not be appropriate for us to attempt, now, to fix any particular level at which reserves are to be considered adequate; this can be judged only from time to time in the light of the then existing circumstances. However, we believe that a close watch should be kept on this aspect of the plan by those responsible for its financial management and we believe also that appropriate adjustments should be by way of adjustments to the contribution rates rather than to the benefit structure. This is not to say, of course, that changes in the benefit structure may not be considered advisable from time to time in the future. It is important, however, to emphasize that changes in the benefit structure if they are made should be based on the merits of the case and should not be made merely as a means of using up some excess moneys in the Fund.

163. It is possible that in a particular year unemployment experience might be such as to cause the benefit load to rise above the income of the year and to exhaust the Fund. To meet this eventuality, we recommend that power be provided in the legislation to permit the government to advance money to the Unemployment Insurance Fund by way of loans to tide it over such periods. The Fund would have the responsibility of repaying such loans from excess income in good years. Those responsible for the financial condition of the Fund would have to see to it that the contribution rates determined from time to time were sufficient to enable the Fund to meet its current obligations and to repay any such loans that may have been contracted. Having in mind our proposed comprehensive program for the support of the unemployed, we believe that it is extremely important to see to it that the insurance part of the program is maintained on a solvent, self-supporting basis.

R. Unemployment Insurance Fund

164. The Unemployment Insurance Act established an Unemployment Insurance Fund to which is credited all moneys received by way of contributions, and against which is charged all moneys required to pay benefits. Pursuant to the Act, any amounts standing to the credit of the Unemployment Insurance Fund may, on requisition of the Unemployment Insurance Commission, be applied to purchase obligations of, or guaranteed by the government of Canada, and any such obligations so purchased are considered to be assets of the Unemployment Insurance Fund. The investments are made by the Minister of Finance subject to the authorizations of an Investment Committee consisting of the Governor of the Bank of Canada, one member nominated by the Minister of Labour and one member nominated by the Minister of Finance.

165. By reason of the low levels of unemployment during the years of World War II and for some 10 years subsequent to the end of that war, the assets of the Unemployment Insurance Fund increased rapidly and there were large amounts invested in accordance with the provisions of the Act. In the early years, the investments were in bonds of quite short maturities, but as the Fund increased in size and when the transition from a war-time economy to a peace-time economy was made without major unemployment, the maturities were somewhat lengthened.

166. In the nine years from March 31, 1947 to March 31, 1956 there was no significant change in the average maturity of the bonds

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held by the Fund; the maximum average maturity at any point during that period was slightly over nine years and the minimum about seven and one-half years. At March 31, 1956 the average maturity was about eight years. Having in mind that the Fund was then very large (it amounted to more than $800 million at March 31, 1956) and that the Fund had shown increases in every year except one since the inception of the plan, we believe that this average maturity was reasonable and provided ample protection against possible future reductions in the Fund in years of heavier unemployment. On the other hand, we feel that the most prudent course, from the point of view of the Fund itself, was not followed in the fiscal year ended March 31, 1957 when almost $70 million worth of bonds were bought having a term longer than 20 years; of this amount $50 million was invested in bonds having a maturity of 40 to 42 years.

167. The greatest alteration in the portfolio took place in the fiscal year ended March 31, 1959 during which the very large 1958 Conversion Loan took place. The Fund disposed of its entire holdings of 3% Victory Bonds maturing from 1959 to 1966, amounting to more than $402 million and purchased more than $306 million of various Conversion Loan new issues with a considerable lengthening of maturity. This transaction took place in a year when the Fund was declining rapidly under the impact of much heavier unemployment than had been experienced for many years. Indeed, about 25 per cent of the new Conversion Loan issues so acquired had to be sold before March 31, 1959 to raise funds to meet the rising benefit load. However, we believe that the course of action taken by the Investment Committee was practically inevitable when one considers the atmosphere and publicity surrounding the Conversion Loan at the time. A nation-wide effort, backed by the full weight of the federal government and supported generally from coast to coast, resulted in a very large percentage of Victory Bonds issued during World War II being exchanged for longer term, higher yielding government bonds—a desirable result for federal debt management. It seems unlikely that the Investment Committee could have done other than dispose of its 3% Victory Bonds and give strong support to the Conversion Loan operations in the summer and fall of 1958.

168. Over the entire period from the inception of the Fund to the present time, net losses of $30,517,000 were suffered by the Fund on sale of securities. Further losses of approximately $35 million would have been suffered except for the action taken in September 1961, when

all of the securities held by the Fund were exchanged for interest-bearing, non-marketable securities specially issued by the government of Canada pursuant to Order in Council, P.C. 1961-1396, for purposes of the exchange. The exchange was based on the amortized cost price of the bonds held by the Fund, the new securities having a par value equal to that amortized cost price and being redeemable at par on demand, subject to 30 days' notice. The possibility of further losses on sale has thus been avoided.

169. The losses on sale actually suffered should be considered in relation to the fact that the Fund earned over $306 million of interest from its inception to March 31, 1961. Thus the losses sustained on sale of securities were only about 10 per cent of the interest earned. If the Fund had been invested exclusively in bonds of five years or less in term over its entire history, it would have suffered practically no losses on sale but it would not have earned as much as $275 million of interest, this being approximately the amount of interest earned less the losses suffered. Accordingly, it is clear that the losses on sale of securities have had relatively little to do with the main problem that we have been asked to deal with; i.e., the fact that contributions have been far lower than benefits paid since the fiscal year ended March 31, 1957.

170. As respects the future management of the Fund, we recommend, as a permanent policy, the approach adopted pursuant to the Order in Council referred to above whereby moneys standing to the credit of the Unemployment Insurance Fund and not required to meet current benefit payments may be invested in interest-bearing, non-marketable securities of the government of Canada redeemable on demand subject to 30 days' notice at par plus accrued interest. We believe that it would be appropriate to fix the rate of interest on such securities on a basis similar to that described in the Order in Council referred to. This provides for the use of a yield approximating the yield on outstanding government bonds of three-year maturity.

171. If this plan of investment is adopted in substitution for the present provisions of the Unemployment Insurance Act in that respect, the Unemployment Insurance Fund will not again be involved in questions relating to the management of the federal debt. Also, in these circumstances, we do not think that it would be necessary to have an Investment Committee.

172. Having in mind the revised circumstances resulting from this change in investment procedure, we think it would be desirable that

there be a statutory requirement on the Unemployment Insurance Commission to prepare a financial statement showing in a full and complete manner the condition of the Fund at the end of each fiscal year and the income and expenditure occurring during the year. We think also that this statement should be certified by the Auditor General and should be placed before Parliament as soon as may conveniently be done following the date of its preparation. The revised investment procedure would, of course, remove problems relating to the valuation of assets and to this extent the problem of preparing a full statement of affairs would be less difficult than it once was. Nevertheless, we believe that it is desirable in principle that an audited statement be laid before Parliament annually. The present provision calling for a report by the Minister of Finance would then not be necessary.

173. In Appendix II, certain charts are shown illustrating the maturity dates of bonds held by the Fund from time to time.

II. A PLAN OF EXTENDED UNEMPLOYMENT BENEFITS

174. The amendments to the existing unemployment insurance plan as outlined in the foregoing section are intended to reshape the plan to enable it to carry out effectively the functions appropriate to a plan of unemployment insurance in a general program of support for the unemployed. The recommendations we are making would result in the insurance plan bearing the first impact of unemployment but the first impact only. The insurance plan would not be concerned with unemployment that has extended beyond a reasonably short period or unemployment that occurs in a repetitive seasonal pattern.

175. We recommend that a plan of extended benefits be instituted to absorb the main impact of unemployment that has extended beyond the area covered by the insurance plan, the cost to be met by the federal government from its general taxation revenues. Although we refer to this as a plan of extended benefits, we have in mind that benefits under this plan would be available in certain cases to persons who are unemployed because of a repetitive seasonal pattern in their occupation.

176. The main purpose of the plan of extended benefits would be to assume the burden of unemployment that has extended beyond the period that can properly be dealt with on an insurance basis. The operation of such a plan would be accompanied by bringing to bear the full effort of a national employment program on the problems that are causing this extended unemployment. The plan of extended benefits

would occupy a middle position between unemployment insurance and an assistance plan; it would thus relieve the public assistance plans of what would otherwise be a serious burden of additional claims.

177. We have given consideration to the possibility of a program of support for the unemployed that consists of only two parts, namely, an insurance plan and a needs-test assistance plan, but, in our view, an intermediate plan is necessary. In the absence of an intermediate plan, the inevitable results will be either pressure on the insurance plan to try to make it assume more and more of the load, or an additional burden on the assistance plan beyond the administrative capacity of existing organization and beyond the financial ability of some of the provinces and municipalities that share in the cost. We believe that the present difficulties of the unemployment insurance plan are to a considerable extent the result of efforts to stretch the plan to cover cases and provide benefit that should not have been swept within an insurance plan but were beyond the capacity of the existing assistance plans.

178. We believe that by instituting a plan of extended benefits along the lines that we will outline, the insurance plan will be enabled to maintain its validity as an insurance undertaking, the assistance plans will not be swamped with additional claims and attention can be focussed on unemployment that has reached a serious or chronic stage.

179. We think that extended benefits should be available only in cases where unemployment has become a serious problem. Thus the plan should be concerned only with persons who can show by their employment history that working as employees in an employer-employee relationship is a normal and substantially important part of their working life, and who are suffering some special unemployment problem. To accomplish this, we would limit eligibility to those who have qualified for unemployment insurance but have exhausted their insurance benefit and to some classes of those who have qualified for insurance benefit but are unable to draw benefit because of the operation of the special seasonal regulations we have described earlier.

180. In line with our philosophy of universal coverage under the insurance plan this would mean that all persons occupying the employee side of an employer-employee relationship would be possible beneficiaries under the plan once they had established some minimum period in that position. Thus persons who have occupied the position of employees for only a short time or to an inconsiderable extent, persons

who are working as employees in occupations still excluded from insurance coverage for administrative reasons, and the self-employed would be excluded from eligibility for the tax-supported extended benefits. While some may argue that there are inequities in providing tax-supported benefits for some members of the community who are unable to find suitable employment and not for others, we believe that, as a practical matter, there must be objective rules for determining eligibility for any plan of tax-supported payments. The plan of payments that we have in mind is related directly to the problem of unemployment that affects persons in an employee relationship. Consequently, we believe that the objective tests should require evidence that this relationship has existed in any individual case long enough to raise a reasonable presumption that this is his normal, or at least an important part of, his working life. It is most important, in our view, to avoid any situation where individuals could become eligible for tax-supported benefits on the basis of an inconsiderable period spent in an employee relationship.

181. It is to be noted too, that under this approach, no one would become eligible for extended benefits until after he had exhausted his unemployment insurance benefits; i.e., the provision he has made in co-operation with other employees to cover the first impact of unemployment.

182. An important aspect of eligibility relates to young persons who are just entering the labour market. If unemployment conditions are such that many of these young persons find it impossible to obtain suitable employment, the view may perhaps be taken that some benefit payments should be made to support them until employment becomes available. We believe strongly that the problem of placing young persons in the labour market is one that requires extensive study and action but we do not think that it can or should be solved on the basis of any series of regular benefit payments. Instead, we believe that this is the group where training, relocation and general guidance and direction is of most importance. Thus we recommend that persons under the age of 18 be excluded from eligibility for extended benefits; we have recommended earlier that this age group should be excepted from coverage for unemployment insurance.

183. With respect to employments that are not eligible for coverage under the insurance plan and so would not be eligible under the plan of extended benefits, the exclusion arises solely by reason of administrative problems. We believe that efforts should continue to reduce these problems and extend the coverage to the maximum extent possible.

184. The payment of benefits under the extended benefits plan would be based on the concept of presumed need by persons who have been unemployed for some time or who regularly suffer seasonal unemployment. Pensions under the Old Age Security Act are similarly based on the concept of presumed need; consequently, we do not believe that the community should undertake to make additional payments, under the extended benefits plan, to persons who are in receipt of such pensions. We contemplate also that the extended benefits plan would not provide for payment of benefits to a married woman who is not the sole support of her household. We believe that the community may reasonably undertake to assist the head of a household after he or she has been subjected to a period of unemployment beyond the duration of insurance benefits but we do not think that there is the same obligation to a married woman who is not the sole support of the household, at least without proof of need.

185. We recommend, therefore, that eligibility for extended benefits be limited to persons covered by the unemployment insurance plan exclusive of persons over the age of 70 who are in receipt of pension under the Old Age Security Act, and married women who are not the sole support of their households.

186. As noted in our reference in Chapter One to a plan of extended benefits, we do not believe that extended benefits should continue without limit. We gave careful consideration to the problem of an appropriate period and we considered both the possibility of a uniform period for all persons and a period that would be related in some broad way to the individual's own record of attachment to employment. We have concluded that in order to achieve some degree of equity amongst various classes of employees and to direct the application of the moneys expended in payment of extended benefits to the classes of employees for whom such benefits are most justifiable, the period of benefit available to any individual should be related to his own work record. We recommend that the maximum period of extended benefits available to any individual be one and one-half times the period of insurance benefit to which he was entitled in his last preceding insurance benefit period. The period of entitlement to insurance benefit would vary from a minimum of 10 weeks to a maximum of 26 weeks under the formula that we are recommending. Thus entitlement to extended benefits would vary from a minimum of 15 weeks to a maximum of 39 weeks.

187. We contemplate that eligibility for extended benefits would commence immediately upon the termination of a benefit period estab-

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lished under the insurance plan. Under that plan a benefit period will terminate either at the expiration of 12 months from the establishment of the benefit period, or on exhaustion of the benefit entitlement within the benefit period, if that occurs earlier. Entitlement to extended benefits would begin immediately on the termination of the insurance benefit period and would continue for a further period equal in duration to the maximum entitlement to extended benefits in accordance with the above formula. No extended benefits would be available beyond a period measured by adding to the end of the insurance benefit period the full entitlement for extended benefits.

188. In the normal functioning of the insurance plan, a claimant who is still unemployed when he reaches the end of his benefit period is immediately tested to determine his eligibility for the establishing of a new benefit period. If he has a record of the required number of contributions, he may be able to requalify immediately. If not, he would become eligible for benefit under the plan of extended benefits and would continue under that plan until his rights to extended benefits had been exhausted or until he became employed. When the claimant becomes employed, the payment of extended benefits would end; but should he again become unemployed and be unable to establish a claim under the insurance plan, payment of extended benefits would be resumed if the period of extended benefits established at the end of the preceding insurance benefit period has not then been exhausted.

189. The rate of benefit payable under the extended benefits plan should, we think, be the same as the rate of benefit to which the claimant was entitled under the insurance plan and we believe that the terms of payment should be similar; i.e., the benefit payment in any week should represent the maximum benefit to which the claimant is entitled in accordance with the terms of the insurance plan, less any earnings during the week in excess of the allowable earnings as prescribed by the insurance plan. Some consideration was given to the possibility of providing a reduced rate of benefit during the period of extended benefits as was done under the program of Supplementary Benefit instituted in 1950. However, for both administrative and social reasons we favour the continuation of the rate of benefit established under the insurance plan.

190. We do not contemplate that a claimant would be required to serve a waiting period between the termination of his regular benefit and the commencement of extended benefits. If unemployment is continuous, we contemplate that, when regular benefits have been exhausted, the claimant would be transferred directly to extended benefits.

191. The above paragraphs outline in broad terms the nature and the operation of a plan of extended benefits to absorb the impact of the longer term unemployment. We consider, however, that the plan of extended benefits should be used also to perform another service. This relates to unemployment of a repetitive seasonal character.

192. In our comments relating to the insurance plan, we recommended that the employment record of each claimant be examined over a period of two years preceding the claim and that where this record shows a gap in the contributions for a period of five or more weeks falling in the same place in the calendar in two successive years, the period be considered as establishing an off season for the claimant concerned. He would then be disqualified for the receipt of insurance benefit during that off season. We recognize that the adoption of regulations of this nature would sharply restrict the insurance benefits for many persons who are now regularly receiving them. However, as noted previously, we believe that this type of unemployment is not appropriately included under an insurance plan. It cannot be considered as a risk, arising as it does with certainty in a repetitive fashion year after year, and the individual concerned cannot reasonably look to an insurance fund to compensate him for lack of wages during a time when, according to his own record, he would not normally have been working.

193. Although it may be suggested that persons occupied in seasonal employments receive a higher rate of remuneration in recognition of the seasonal nature of the employment, we doubt that the higher rates of remuneration are such as to take fully into account the fact that the employment continues for part of the year only. In many cases, persons who are occupied in seasonal employments are, unquestionably, in need of employment during the off season to enable them to maintain a reasonable standard of living. Furthermore, for many persons whose work record exhibits a seasonal fluctuation, the employments concerned are not in themselves directly affected by weather or other seasonal conditions, but the seasonal fluctuation is a result, transmitted through perhaps one or more intermediate industries, of effects of the season on some aspect of the industrial organization. While it may be held that the unemployment in question is not properly the subject of insurance, nevertheless it constitutes a problem that the social and economic system must deal with and solve. To some extent, then, the view can be taken that seasonal unemployment occupies a position similar to that of extended unemployment in exhibiting a social and industrial problem that should be the subject of vigorous attack using all

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the tools available in a national employment program. Thus we think that unemployment established as seasonal in character and so ineligible for benefit under the insurance plan, should, in suitable circumstances, enable the person concerned to qualify for benefit under the plan of extended benefits.

194. Since the plan of extended benefits that we propose would be supported from taxation revenues and thus by the community as a whole, we believe that the benefit payment should be restricted to those who can reasonably be held to merit community support in this way. Thus with respect to claimants who are disqualified from receipt of insurance benefit by the seasonal regulations, we recommend that eligibility for extended benefits be restricted as already noted in connection with claimants who have exhausted their insurance benefits. Furthermore, persons who normally work for the major part of the year and who have an off season of relatively short duration can reasonably be expected to provide for their year-round needs from their own work and we do not believe that the community need step in to provide support.

195. We recommend, therefore, that persons who are disqualified for receipt of insurance benefit by the operation of the seasonal regulations be eligible for receipt of extended benefits during the period of disqualification if they fall within the classes of persons who would be eligible for extended benefits on exhaustion of their insurance benefit; subject however to the further condition that such persons be permitted to draw extended benefits in this way only if they have worked for less than 40 full weeks in insured employment in the 52 weeks preceding the disqualification. We believe that any person who has a seasonal pattern of 40 complete weeks of employment or more can reasonably be expected to carry through the remainder of the year on his own resources.

196. It would be inequitable, however, to pay a substantial amount of extended benefit during off-season unemployment to a person who had, say, 39 weeks of employment in the preceding 52 weeks and to pay no such benefit at all to the person who had only one additional week of employment. To meet this situation, we recommend that under the extended benefits plan, benefit during off-season unemployment be allowed for no more than the smaller of the number of weeks indicated by the formula or the difference between 40 and the number of weeks of employment in insured employment in the 52 weeks preceding the claim.

197. As mentioned earlier, the maximum duration of extended benefits would be one and one-half times the entitlement to insurance benefit in the preceding insurance benefit period. We recommend that any extended benefits paid during seasonal disqualification be deducted from the entitlement to extended benefits available at the end of that benefit period. We recommend also that all conditions applying to the payment of extended benefits following the termination of an insurance benefit period, apply equally to the payment of such benefits during a period of seasonal disqualification.

198. The above paragraphs describe a general plan of extended benefits and outline the place that it would hold in a program of benefit payments for support of the unemployed. We wish to emphasize, however, that in our view the payment of extended benefits during a period of unemployment that has lasted beyond the duration of regular insurance benefits should not be the sole action taken by the community to deal with the problem, or indeed should not be the most important action. Since the justification for these benefit payments at public expense is that the unemployment in question reflects a basic problem, either in the operation of the economy or as respects the individual concerned, we believe that the payment of benefits should be accompanied by the most active possible program designed to remove the causes of this unusual unemployment.

199. Calculations made for the Committee indicate an annual cost for the plan of extended benefits of the order of $150 million on the basis of unemployment rates comparable to those that have been experienced in the last few years. In accordance with our recommendation, this amount would be met by the government from its general taxation revenues. However, we have recommended that the present government contribution to the unemployment insurance plan be eliminated. In 1961-62 this amounted to $55 million. Therefore the net extra burden on general taxation revenues would be of the order of $95 million. This may be compared with an average reduction in the Unemployment Insurance Fund of over $160 million a year in the last five fiscal years. Now that the Fund is virtually exhausted, this means of financing the current costs of unemployment insurance is no longer available and substantial new sources of revenue would have to be found in any case. To the extent that unemployment in the future is less than recent experience, and to the extent that the effectiveness of the National Employment Service is increased under our recommendations, the cost of the extended benefits plan would be reduced.

200. We believe that the National Employment Service should consider that the payment of extended benefits in any circumstances reflects problems either in the economy or as respects individuals, and the most vigorous efforts should be made to solve these problems. We believe that far greater emphasis should be placed than has yet been placed on the vigorous development of the National Employment Service; on the problem of adjustment to technological changes; on retraining programs; on problems of occupational and individual shifts; and on all other matters falling within a comprehensive national employment program. Any such program, properly constituted, would require extensive research, extensive accumulation of and dissemination of information, and the co-ordination of all existing efforts concerning the efficient utilization of manpower.

201. If the community is to support a plan of extended benefits payable to persons who are suffering unemployment beyond a minimum amount, the community also would be most unwise if it did not exercise every effort to remove the causes of the unemployment in question, and thus eliminate the need for the extended benefit payments. In essence, the community would have a choice between bearing the expense of the extended benefits or investing enough in the way of effort, initiative and enterprise to solve the problems that give rise to the need for extended benefits. For a period, both efforts may be necessary but it would be hoped that emphasis on the latter approach would gradually lead to decreases in the need for extended benefit payments with the consequential enormous advantages in the way of social and economic betterment.

202. We wish to emphasize in the strongest possible way that a plan of extended benefits supported from general tax revenues such as we have outlined can be justified only if it is accompanied by vigorous and effective action to discover and remove the causes of the unemployment in question.

203. In studying this problem, we have very much in mind that, for some proportion of the labour force, seasonal employment is not only the normal working pattern but the desired working pattern, and the persons concerned do not in fact desire full-time year-round work. We do not think it is the function of either an insurance plan or a plan of extended benefits to compensate persons who normally work in a seasonal pattern and who do not have any real desire to obtain employment during the off season.

204. We believe also that since the cost of extended benefits would

be borne by the general taxpayer, the persons receiving these benefits can reasonably be expected to exercise diligence in seeking employment and to exhibit readiness to take employment of which they are reasonably capable in the light of their ability, experience and physical condition.

205. We recommend, then, that in administering a plan of extended benefits, the concept of suitable employment be broadened beyond that appropriate to an insurance scheme. We think that any person who is in receipt of extended benefits should be expected to accept employment of which he is reasonably capable, whether it is the same as his customary employment or not. We do not, of course, recommend that a policy of this type be carried to extremes and that persons be referred to employment that is so dissimilar to their customary occupation that acquired skills would be destroyed or that their physical capabilities would be strained, but we believe that the community has the right to expect willingness, and indeed eagerness, to accept employment as an alternative to drawing support from the community. The unemployment insurance plan will provide an interim period during which the unemployed person can draw benefits while attempting to find employment in his usual occupation or something closely akin to it. After this period has been exhausted, however, and the community undertakes a further period of support, it is reasonable to expect the person concerned to broaden his outlook as to employment that he will accept.

206. Apart from the specific features described above, we contemplate that the conditions for receipt of extended benefits would be the same as for receipt of unemployment insurance benefit; namely, that the claimant be unemployed, capable of and available for work and unable to find suitable employment. Disqualification would be imposed in the event of unemployment caused by voluntary termination of employment without just cause, refusal of suitable employment and such matters.

207. In the administration of the plan, it is inevitable that disputes will arise between the administrators and the claimants, just as they arise under the existing insurance plan. Most of these disputes are likely to concern the concept of "suitable employment" and "availability for employment". We recommend that an appeal procedure be available whereby a claimant may appeal to the chairman of the local Board of Referees in event of a dispute. We do not recommend that the appeal be to the whole Board; representatives of employers and employees would not be appropriate in the case of extended benefits.

III. A PLAN OF ASSISTANCE TO THE UNEMPLOYED

208. As noted earlier, we do not believe that a plan of extended benefits should provide benefit for an unlimited period. After some limited time, we believe that persons who remain unemployed should, if they are in need, be taken care of by a plan that examines their individual need and provides for it in adequate fashion. There is at present an extensive plan of assistance payments in effect in all provinces of Canada. This plan is one in which the cost is shared by the federal government under the authority of the Unemployment Assistance Act. It appears to us that the general design of this plan is appropriate to fill the place that we contemplate should be taken by an assistance plan as part of the general program of support for the unemployed.

209. We are conscious of the fact that only in recent years has the general assistance plan been vigorously developed and until quite recently it would not have been possible to expect it to absorb any substantial proportion of the residual unemployment. Now, however, the plan is becoming better organized year by year throughout the several provinces and half the cost is being borne by the federal government. We do not believe that recommendations with respect to this plan are specifically within our terms of reference and we wish to comment only that since the program of support for the unemployed that we are recommending would require reliance on an assistance scheme to take up the residual problem, efforts should be made to continue the improvement and development of the existing assistance plans.

IV. ADMINISTRATIVE ORGANIZATION

210. In our attempts to formulate a comprehensive program of support for the unemployed, we have been very conscious of the key position played in any such program by a national employment service. As a consequence, we have studied the role played by the present National Employment Service and have considered the function of this extensive organization in relation to general government policy as respects employment and manpower policy. This has, of course, led us to consider the general problem of administrative organization as respects the distribution of duties between the Unemployment Insurance Commission and the Department of Labour.

211. We believe that the plan of extended benefits that we are recommending is so dependent upon the existence of a properly functioning employment service and of a vigorous national employment

policy that it would not succeed in the absence of a substantial improvement in the operations of the employment service and associated manpower policies. In the recommendations that follow, we wish to emphasize that our intention is not one of criticizing the present administrators; they are applying their best efforts within the existing administrative organization and in the light of the limitations that have existed as respects staff and facilities. Our remarks are intended, instead, to recommend changes in the organization that will help the administrators carry out their duties and aid in the establishment of a comprehensive and effective employment service and manpower policy.

212. Although the unemployment insurance plan has been in effect for more than 20 years, it is only during the latter part of this period that unemployment has become anything in the way of a major economic problem in Canada. The National Employment Service was constituted at the same time that the unemployment insurance plan was brought into effect. Although the principal motivation may have been that of solving unemployment problems by finding jobs for the unemployed, it was also known that it is impossible to run a satisfactory plan of unemployment insurance unless there is a national employment service to locate job opportunities and to refer claimants to suitable jobs. As matters worked out, it seems that the National Employment Service was considered as an adjunct to, and rather subordinate to, the insurance plan. This has coloured the development of the National Employment Service all through its history. Further, during the war years, the National Employment Service was used as part of the administration of the wartime manpower program. Because of the degree of control necessary in the national interest during wartime, the National Employment Service had to assume certain duties and functions that were not perhaps popular with the persons affected. Thus the reputation of the Service was not enhanced in the eyes of the public.

213. However, whatever may have been the causes, we believe that the National Employment Service was for too long considered as merely an adjunct to the insurance plan. We are aware that a start has been made towards changing the emphasis in recognition of the fact that the Employment Service should occupy a leading position in the operation and design of a national manpower policy and in the efforts to solve unemployment problems. However, we believe that this change in emphasis should be pressed with much more vigor than has heretofore been the case. The role of a national employment service in this broad sense is well set out in a Convention adopted by the Interna-

tional Labour Organisation in 1948 (reproduced in Appendix III of this Report) and this Convention was ratified by Canada in 1950. However, it appears that vigorous efforts to put the Convention into effect did not take place till some years later. Although the administrative staff of the National Employment Service did what they could to expand their operations and assume the broad role contemplated by the Convention, they were severely hampered by lack of adequate staff and facilities. This seems to have been the result of failure at some level to appreciate the importance of the true role of a national employment service and the result of the divided responsibility for manpower policy between the Department of Labour on the one hand and the Unemployment Insurance Commission through the National Employment Service on the other.

214. The problems that Canada is now facing as respects unemployment, and the problems it is likely to face in the future by reason of rapid and extensive technological change, must surely have made it clear to everyone concerned that a broad and comprehensive employment and manpower program supported by an active and vigorous national employment service is absolutely essential to the national well-being. There should, then, no longer be any limitations placed on the proper development of the National Employment Service by reason of failure to appreciate its importance or the key role it must play.

215. The problem of divided responsibility is, however, a problem that yet requires solution. We believe that the National Employment Service, having the broad objectives outlined in the International Labour Organisation Convention, cannot operate efficiently or even effectively unless there is close co-ordination between those in charge of the Service and the authorities responsible for the design and implementation of government manpower policy; namely, the Department of Labour. Efforts have been made to secure this co-ordination through a multiplicity of committees, but apparently with only limited success; the Unemployment Insurance Commission was made directly responsible to the Minister of Labour as respects the National Employment Service with the same objects in mind but again success has been limited. The existing overlapping of efforts and the failure to provide the National Employment Service with adequate skilled staff and with adequate facilities and services must result to a large extent from the confusion created by the lack of co-ordination of policies.

216. The actual experience has proved, in our opinion, that the existing administrative organization must be changed in order to achieve the degree of co-ordination necessary to permit the development

and implementation of adequate employment and manpower policies and to free the National Employment Service from existing limitations so that it may play its proper role in such policies. It is, of course, out of the question to transfer the responsibilities of the Department of Labour to the administration of the Unemployment Insurance Commission. A national employment policy is the reflection of the policy of the government of the day and this can be implemented only by a government department under the direction of the appropriate Minister. It appears, then, that in order to achieve the required degree of co-ordination and integration of policy and administration, the National Employment Service should be transferred to the Department of Labour, and we so recommend.

217. The revised organization and the expansion of the role of the National Employment Service, coupled with the importance of a co-ordinated employment policy should lead to the transfer of employment services performed by other government departments to the National Employment Service. It may well be that special problems will require special treatment within the National Employment Service but complete co-ordination of manpower policy cannot be achieved in the absence of unified control over employment services.

218. Any such change in responsibility for the administration of the National Employment Service raises immediate questions as to the administration of the unemployment insurance plan. The local offices of the Employment Service are the essential link between the unemployment insurance plan and the insured persons; we believe that this link must be retained. Our recommendation is, therefore, that the local offices of the National Employment Service continue to administer the unemployment insurance plan as they do now but operating on an agency basis for the Unemployment Insurance Commission.

219. We do not propose to make recommendations concerning detailed division of administrative duties, but the broad pattern that we have in mind would require the local employment offices to operate on an agency basis for the Unemployment Insurance Commission in the acceptance of claims, the determination of benefit rights and the payment of benefit. The entire contact of the individual insured person with the insurance plan would be through the local employment office.

220. It may be necessary in such a re-arrangement of administrative responsibilities to work out some new procedures. For example, the Unemployment Insurance Commission may, through regional offices, find it convenient and efficient to perform certain functions centrally

rather than in the local office. Matters such as this can best be judged by the administrators on the scene and could be worked out as part of the reorganization program.

221. We believe that the Unemployment Insurance Commission should continue to have responsibility for the unemployment insurance plan in the sense that it would continue to perform the adjudication functions necessary in the conduct of the plan, would be responsible for the audit of employers to see to it that they are carrying out their obligations, would be responsible for the formulating of the necessary rules and regulations to enable the insurance plan to function and would carry on all the other existing duties and responsibilities in connection with the insurance plan. The Unemployment Insurance Commission would, however, be relieved of the responsibility for the National Employment Service and the local employment offices.

222. It may be noted that an administrative organization of this type is in effect in the United Kingdom and appears to operate efficiently. Local employment offices are under the Ministry of Labour and perform certain functions on an agency basis for the Ministry of Pensions and National Insurance which is responsible for the unemployment insurance plan.

223. We recommend also that the Unemployment Insurance Commission have responsibility for the operation of the plan of extended benefits to the same extent as it has responsibility for the operation of the insurance plan. Here too, the local office of the National Employment Service would act on an agency basis in the acceptance of claims and the payment of benefits. Administrative procedures must be established to ensure that each claimant knows when he is in receipt of extended benefits as compared with insurance benefit and to ensure that persons drawing extended benefits receive the attention from the employment officers of the National Employment Service that is necessary to lead to the eventual solution of their special unemployment problems.

224. In addition to the general functions noted above that would constitute the responsibility of the Unemployment Insurance Commission under such a reorganization, we recommend that the Unemployment Insurance Commission have the responsibility of appointing the chairmen of Boards of Referees. Since the Commission contains a representative of employers and a representative of employees, we believe that it is an appropriate body to perform this task. These appointments are now made by the Governor in Council.

225. We cannot leave the discussion of the administrative organization without touching on two more important points. These relate to the staff and facilities available to the Unemployment Insurance Commission and the problems of audit of employers and claims supervision.

226. In our view, the carrying out of the duties imposed on the Unemployment Insurance Commission has been hampered and is still hampered by the lack of a staff establishment adequate in terms of both number and level of training and skill for the purpose. This failure has been in evidence both as respects the employment function and the insurance function.

227. As respects the National Employment Service, we believe that there is need of more well qualified placement officers and that existing standards of training and pay should be raised to attract them. There is also need of trained senior staff to press forward and develop the many functions that the National Employment Service should perform.

228. On the insurance side, we believe that the complexity of calculations necessary in connection with benefit payments is not adequately recognized in standards of education, training and pay prescribed in the establishment. In particular, we believe that it is unsound to depend on casual help recruited on the occasion to meet the peak claim loads in the winter months. The rates of pay authorized for such temporary staff cannot attract persons with the necessary educational background, and the training provided is inadequate. A procedure using help on a seasonal basis would be more satisfactory since there would be a good chance of getting the same people year after year; they would thus acquire experience and training.

229. The problem of auditing employers' accounts to see to it that contributions are being made as required needs constant attention. As has been pointed out in Chapter Two, over the 10-year period 1951-1961, the number of employers registered under the Act increased from 226,557 to 398,604 and yet over that same period the field audit staff increased only from 351 to 368. It is also noted that there is an increasing trend in the amount of overdue contributions. In this connection, apart from the question of an adequate audit staff, we recommend that power should be restored to the Unemployment Insurance Commission permitting the prosecution of employers for failure to make contributions as required. The substitution of a penalty provision has not proved to be effective.

230. Adequate claims supervision is largely a question of an adequate number of persons active in the field. Having in mind the large numbers of claims each year and the large proportion of claimants who claim and report only by mail, we believe that it is quite impossible to avoid improper claims in the absence of an investigation staff very much larger than now exists. Inadequate claims supervision is damaging to the reputation of the plan and is unfair to honest claimants and to contributors who are not claimants. We believe that it is most important to improve the extent of claims supervision over the present practice.

231. The office facilities provided for the Unemployment Insurance Commission are in many cases inadequate, particularly as respects the local employment offices. If the National Employment Service is to play its proper role in the national interest, steps must be taken to move the local offices out of the dirty, dingy quarters where many of them are now found to clean, well-lighted and well-located premises. The offices of the National Employment Service are to serve the public and they should be of a standard that such service can be performed in pleasant surroundings. At present, many persons cannot but be repelled by the appearance of some local offices.

232. The lack of adequate staff for development and research can probably be traced to the problem of divided jurisdiction and uncertainty as to function. In any event, the lack exists and should be remedied. With the transfer of the National Employment Service to the Department of Labour, the existing research facilities of that Department, suitably expanded if necessary, can be used to meet the needs of the Service. Special research problems arising in connection with problems of the Unemployment Insurance Commission should be dealt with by an adequate research staff attached to the Commission.

233. We recommend, therefore, a general revision in the attitude heretofore taken as respects the number and quality of the staff of the Unemployment Insurance Commission including the National Employment Service. This revision should recognize the need for more staff as respects development of the National Employment Service and as respects insurance auditing and claim supervision, should recognize the need for improving the educational and training requirements, and so, the salary levels, and should have regard for the need of skilled staff at senior levels to carry out development and research. We recommend also that effective steps be launched to improve the standards of office accommodation provided for the local offices of the National Employment Service.

V. UNEMPLOYMENT INSURANCE ADVISORY COMMITTEE

234. We believe that an Unemployment Insurance Advisory Committee should be continued and should have as its main responsibility the supervision and safeguarding of the financial structure of the plan. Calculations that have been made for us suggest that the present rate of contributions will be sufficient to support the recommended benefit structure over the next few years in the absence of a serious rise in unemployment but it is not possible to predict the benefit load with absolute certainty. Consequently, it is most important that a body be charged with the prime responsibility for safeguarding the financial soundness of the plan.

235. We are conscious of the fact that the present Advisory Committee has responsibilities of this nature. However, it appears that the legislation is not clear as respects the effect of recommendations of the Advisory Committee in connection with financial matters. We believe that this issue should be clarified. Specifically, we recommend that the legislation require that the recommendations of the Advisory Committee either be implemented by the government or formally rejected with reasons given for the rejection. We do not suggest that the recommendations of the Advisory Committee be binding upon the government because, clearly, the government must be supreme. However, we believe that the Advisory Committee should have such a stature that its recommendations must be recognized and either enacted or formally rejected for reasons given.

236. It has been suggested that the Advisory Committee would be strengthened if it contained representatives not only of employers and employees, but also representatives of the public at large. Some views have been expressed to the effect that by the addition of "public" members, possible deadlocks between the employee representatives on the one hand and the employer representatives on the other would be avoided. We believe that appointments of this nature might well be considered by the government. However, in our recommendations, the cost of the insurance plan is to be shared equally between the employees and the employers. There may, then, be less justification for the appointment of public members than would be the case where a contribution to the plan is being made from the public treasury. In this connection, however, it is to be kept in mind that our recommendations contemplate that the public treasury will bear the cost

of administering the insurance plan. Thus the general taxpayer, represented by public members, has some interest in the design and function of the plan.

237. We believe that the Advisory Committee can function successfully only if it has strong representation from the interested groups. If the representatives of employees or employers do not carry the confidence of the groups that they represent, it is not likely that the recommendations of the Advisory Committee will be acceptable to the members of the insurance plan or be acceptable to the government. Thus we believe that organizations representing employees and organizations representing employers should be consulted with respect to appointments to the Advisory Committee. We do not think, however, that the responsibility for appointing representatives should be relinquished by the government and transferred to these organizations. Instead, we recommend that organizations representing employers be invited to nominate a panel from which the government may make appointments to the Advisory Committee representing the employers. Similarly, organizations representing employees would be invited to nominate a panel from which the government could make appointments to the Advisory Committee representing employees. We believe that the Chairman of the Advisory Committee should be a public member in the sense that he represents neither employees nor employers. We believe that it would be desirable that the Chairman be in a position to devote considerable time to the work of the Advisory Committee; this would enable the work of the Committee to proceed more efficiently and more effectively by having appropriate agenda and adequate information laid before it.

VI. FISHERMEN

238. In our recommendations concerning coverage under the unemployment insurance plan, the only important group that is now covered and that, in accordance with our recommendations, would be excluded from the revised plan is the group made up of the self-employed fishermen. In view of the fact that this group has been covered by the plan for some five years and has been the recipient of substantial amounts of benefit, we believe that it is incumbent upon us to make some further remarks in this connection.

239. Our principal reasons for recommending withdrawal of coverage from self-employed fishermen are as follows:

(1) The revised unemployment insurance plan that we have in

mind would be a plan based upon the insurance concept and thus must be confined to persons who occupy the employee side of an employer-employee relationship. We believe that it is impossible to cover self-employed persons and still maintain a consistent insurance approach. Such persons have control over their own activity to such a substantial extent that one cannot determine in any satisfactory fashion when they are employed and when unemployed, at least not with the precision and objectivity necessary for the successful operation of a plan that undertakes to make monetary payments in times of unemployment.

(2) While the payment of benefits to fishermen has undoubtedly been of great assistance to them, it has not operated as a satisfactory assistance scheme since the largest benefits are paid to those who have had the best record of fish sales. Thus those who most need assistance may get the least amount. In trying to fit the unemployment insurance plan to this special group, it was impossible to determine any real record of the time spent in fishing, and as a consequence, recourse was had to a record of the weekly sales of fish by each covered person to be used as a guide to the extent of the attachment to fishing as an occupation. However, this does not work satisfactorily since the amount of fish sold is not directly related to the time spent fishing. Wide differences may occur by reason of luck, equipment, weather, etc. Thus procedures that are appropriate in applying a plan to employees are not appropriate in trying to apply it to persons who are self employed.

(3) A plan of unemployment insurance should be only an incidental part of conditions of employment. It should not loom so large as to encourage people to seek work merely for the sake of the insurance coverage nor encourage them to change their pattern of work for the purpose of drawing maximum benefit. We are convinced that the existence of the unemployment insurance plan has become so dominant a feature in the life of some fishermen that it has distorted the normal economic operation in certain areas. The choice between marketing fresh fish and marketing salt fish, the choice between selling all the catch to one buyer or spreading it amongst several buyers, and indeed even the decision of whether to fish or not, is often influenced by the advantages

or disadvantages that a particular course will give in relation to unemployment insurance benefits.

(4) The administrative problems of seeing to it that the prescribed rules are properly adhered to have proved to be extremely difficult. Many fishing areas are remote and the Unemployment Insurance Commission has not been able to supervise claims and contributions to the extent necessary to avoid abuse.

240. We recognize that there are many problems in the fishing industry. Many fishermen are suffering from chronic under-employment and are not able to maintain even an acceptable minimum standard of living without assistance. We do not feel able to recommend any general program that will solve the problems of the fishermen and the fishing industry. To do so would require a most extensive study of the whole industry and we believe that this is beyond our terms of reference. So far as our study of this problem has gone, however, we have reached some conclusions and these are here set forth by way of a supplement to our general recommendation that coverage for self-employed fishermen under the general unemployment insurance plan should be terminated.

241. It would appear from a general consideration of the problem in relation to unemployment insurance that the main need in connection with fishermen is some kind of income supplement to enable those fishermen who are chronically under-employed to maintain a satisfactory standard of living. This should probably be accompanied by relocation of fishermen away from sub-marginal fishing areas and to areas where they can be expected to fish a long enough season to improve their economic circumstances. Such relocation, even if possible, would be a very slow and painful process and undoubtedly some program of income supplements would have to be maintained for a considerable time.

242. It appears to be impracticable to rely on a needs-test assistance scheme as the basic vehicle for providing such income supplements. If reliance were to be placed on existing provincial administrative machinery for such a purpose, heavy additional burdens would have to be assumed by the provinces concerned or there would have to be a substantial revision in the sharing of assistance costs between the federal government and the provincial governments.

243. So far as we have been able to study this particular problem, we think that it would be possible to establish a separate plan for the

payment of off-season benefit to fishermen perhaps not too far removed from the way in which the existing unemployment insurance plan applies, but subject to the following major changes:

(1) The staff and facilities of the Department of Fisheries should be used to a much greater extent than at present in the administration of any such plan. That Department has fisheries officers at many points along the fishing coasts and thus has available a much more widespread organization than has the Unemployment Insurance Commission in the fishing areas. Further, the fisheries officers are familiar with local fishing conditions and with local fishermen and marketing methods. They are in a better position to see to it that the prescribed rules are adhered to.

(2) A uniform benefit rate should be provided for all fishermen in an area rather than a benefit rate related to the average weekly sales of fish. Perhaps one rate of benefit could be used for all the East Coast and another rate for the West Coast. The benefit rates could be determined in the light of the average rates paid in recent years under the existing unemployment insurance plan. The existence of a uniform rate would avoid some existing abuse since there would then be no incentive to obtain several stamps for a particular week by means of splitting a week's catch amongst several buyers.

(3) The duration of benefit should be uniform for all fishermen who qualify for benefit in a particular area. The qualification tests should require evidence that the person concerned has worked as a fisherman for some minimum period of time in the preceding season. As a practical matter, it may be necessary to continue to rely on a record of fish sales for this purpose. However, if the assistance of fisheries officers were to be retained in verifying these records, we believe that a more accurate picture would be obtained as respects attachment to the fishing industry.

(4) If a fisherman meets the necessary qualifications of attachment to the fishing industry he would then rank for benefit at the prescribed rate for the area and for the prescribed off season. This would be determined on the basis of conditions applicable to the area, taking into account normal fishing patterns and established legal seasons for various types of fish. Here again the assistance of fisheries officers and the technical advice of the Department of Fisheries would be essential.

(5) Contributions from those covered should be required but the excess of benefit costs over contributions should be a charge on the general treasury rather than on the Unemployment Insurance Fund.

(6) There should be no interchange of contribution credits between the fishing plan and the unemployment insurance plan. The fishing plan would be designed as an off-season supplement and would not have any of the elements of an insurance plan. It would be more closely comparable perhaps with the application of the extended benefits plan to off-season unemployment, as discussed earlier in this chapter.

(7) As in the case of the extended benefits plan, there would be no justification for the payment of an income supplement during the off season where the record showed employment for more than a specified minimum number of weeks in the 52 weeks preceding the claim. However, to avoid problems in connection with weeks of employment where the catch was inconsiderable or with short seasons having very heavy and valuable catches, a rule could be adopted limiting the payment of the income supplement to those having fish sales below, in value, a prescribed multiple of the weekly benefit amount for the area.

244. The above recommendations are in broad outline only but represent the pattern that should be followed if a type of income supplement is to be provided to fishermen without application of a needs test on an individual or even on an area basis. Many refinements would be necessary but these can only be settled upon by persons thoroughly familiar with the industry. It is apparent, however, that a plan containing such features cannot be successfully operated as part of the general unemployment insurance plan. A separate plan for fishermen would be required and we think that the main responsibility for carrying it out should rest upon the Department of Fisheries rather than on the Unemployment Insurance Commission. The Department of Fisheries would have available to it, of course, all the facilities of the National Employment Service insofar as those facilities might be of assistance in finding work for fishermen in the off season or solving the problem of under-employment.

Chapter Five

CONCLUSION

1. The foregoing chapters of this Report have been principally concerned with the difficulties, problems, inadequacies and abuses that have beset the unemployment insurance plan. This is inevitable because, were it not for the importance that these matters have assumed, this inquiry would never have been instituted. In concentrating attention on the difficulties and problems however it should not be forgotten that the existence of an organized plan for support of the unemployed has been of enormous value to Canadians and the Canadian economy. The fact is that, over the years, the plan of unemployment insurance has contributed immeasurably to the welfare and moral support as well as the financial support of persons who suffer unemployment and who are genuinely seeking work. Such persons constitute, at all times, the great majority of the claimants.

2. The existing plan has been in effect for more than 21 years. Considering the extent and rapidity of changes within the economic and social system in the years during and since World War II, the fact that the plan has survived that long without major reconstruction may perhaps be taken as a matter for satisfaction, even though a crisis has now been reached.

3. We are aware that some of our recommendations may be unpopular in some quarters. Some persons who now consider themselves immune from unemployment would be called on to contribute to the plan and thus help directly to bear a share of the cost of unemployment; some persons who now qualify for benefit very easily would find that qualification is more carefully tested; persons who are now able to draw

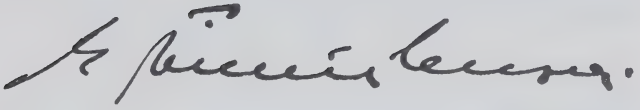
benefit for long periods would find the maximum entitlement reduced in certain circumstances; some employers who have been accustomed to deal casually with requests for information by the Unemployment Insurance Commission would find themselves obliged to comply with the requirements.

4. On the other hand, we believe that the increase in benefit rates we are recommending would be of major advantage to persons who suffer involuntary unemployment, the extensions of coverage would be of considerable benefit to many employees not now protected, and the restoration of sound guiding principles in the whole program of support for the unemployed would be welcomed by all who are concerned with the welfare of the community as a whole.

5. Throughout our inquiry we have had constantly in mind the great value that the existing plan has been over its history and the unquestionable necessity of an organized program of support for the unemployed. These considerations, taken in conjunction with the widespread public criticism that has arisen and the fact that the Fund is now on the brink of exhaustion, indicate clearly that corrective measures and basic changes cannot be avoided. The recommendations we have made are, in our view, the measures that are necessary to re-establish a program of support for the unemployed on a basis that will enable it to operate successfully in the current economic environment and the environment that is likely to be facing Canada for some years in the future.

ALL OF WHICH IS RESPECTFULLY SUBMITTED
FOR YOUR EXCELLENCY'S CONSIDERATION.

Chairman.



Commissioner.

Commissioner.

Commissioner.

November, 1962.

Secretary

Appendix I

ORDER IN COUNCIL

P.C. 1961-1040

Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Administrator on the 17th July, 1961

The Committee of the Privy Council have had before them a report from the Right Honourable John G. Diefenbaker, the Prime Minister, submitting that it is expedient to undertake a thorough review and analysis of the provisions of the Unemployment Insurance Act and its relation to other social security programmes, both public and private, in the light of developments which have occurred since the Act was passed in 1940.

The Committee, therefore, on the recommendation of the Prime Minister, advise that:

Mr. Ernest C. Gill, President,
The Canada Life Assurance Company,
Toronto, Ontario,

M. Etienne Crevier, President,
La Prévoyance Compagnie d'Assurances,
Montreal, Quebec,

Dr. John James Deutsch, Vice-Principal,
Queen's University,
Kingston, Ontario, and

Dr. Joseph Richards Petrie,
Consulting Economist,
Montreal, Quebec,

be appointed Commissioners under Part I of the Inquiries Act to inquire into and report upon the suitability of the scope, basic principles and provisions of the Unemployment Insurance Act and the regulations thereunder and the manner of operating thereunder and, in particular, without restricting the generality of the foregoing, the said Commissioners shall inquire into and report upon:

(a) The provisions deemed necessary to deal with seasonal unemployment;

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(b) The means of correcting any abuses or deficiencies that may be found to exist; and

(c) The relationship between programmes of support for the unemployed and other social security measures.

The Committee further advise:

1. That the Commissioners be authorized to exercise all the powers conferred upon them by section 11 of the Inquiries Act and be assisted to the fullest extent by government departments and agencies;

2. That the Commissioners adopt such procedures and methods as they may from time to time deem expedient for the proper conduct of the inquiry and sit at such times and at such places in Canada as they may decide from time to time;

3. That the Commissioners be authorized to engage the services of such counsel, staff and technical advisers as they may require at rates of remuneration and reimbursement to be approved by the Treasury Board;

4. That the Commissioners report to the Governor in Council with all reasonable despatch, and file with the Dominion Archivist the papers and records of the Commission as soon as reasonably may be after the conclusion of the inquiry; and

5. That Mr. Ernest C. Gill be Chairman of the Commission.

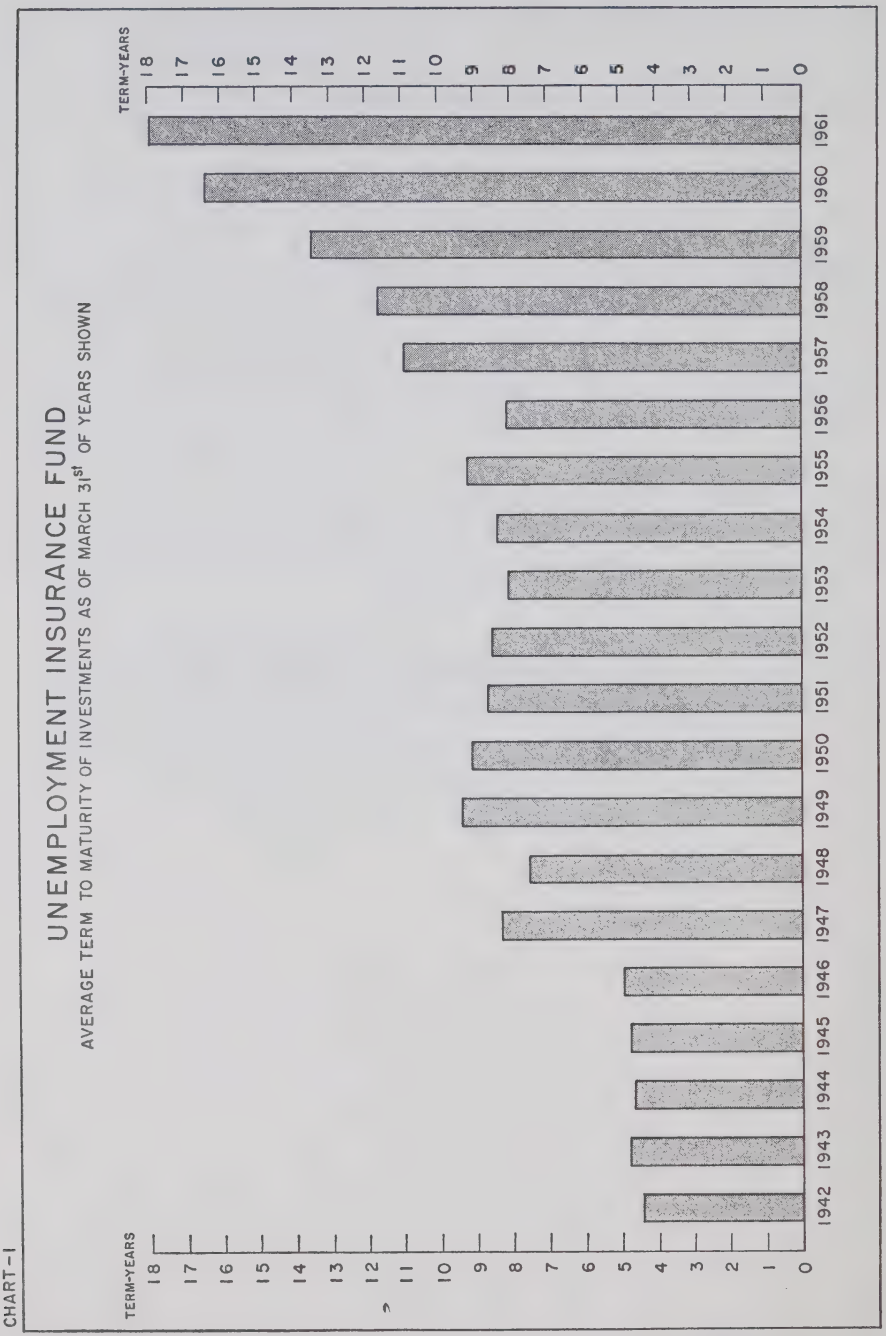
R. B. BRYCE,
Clerk of the Privy Council.

APPENDIX II

CHARTS SHOWING TERM TO MATURITY OF INVESTMENTS IN UNEMPLOYMENT INSURANCE FUND

65799-9—13½

CHART-I


UNEMPLOYMENT INSURANCE FUND
AVERAGE TERM TO MATURITY OF INVESTMENTS AS OF MARCH 31st OF YEARS SHOWN
TERM-YEARS
0
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
1942
1943
1944
1945
1946
1947
1948
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1950
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1952
1953
1954
1955
1956
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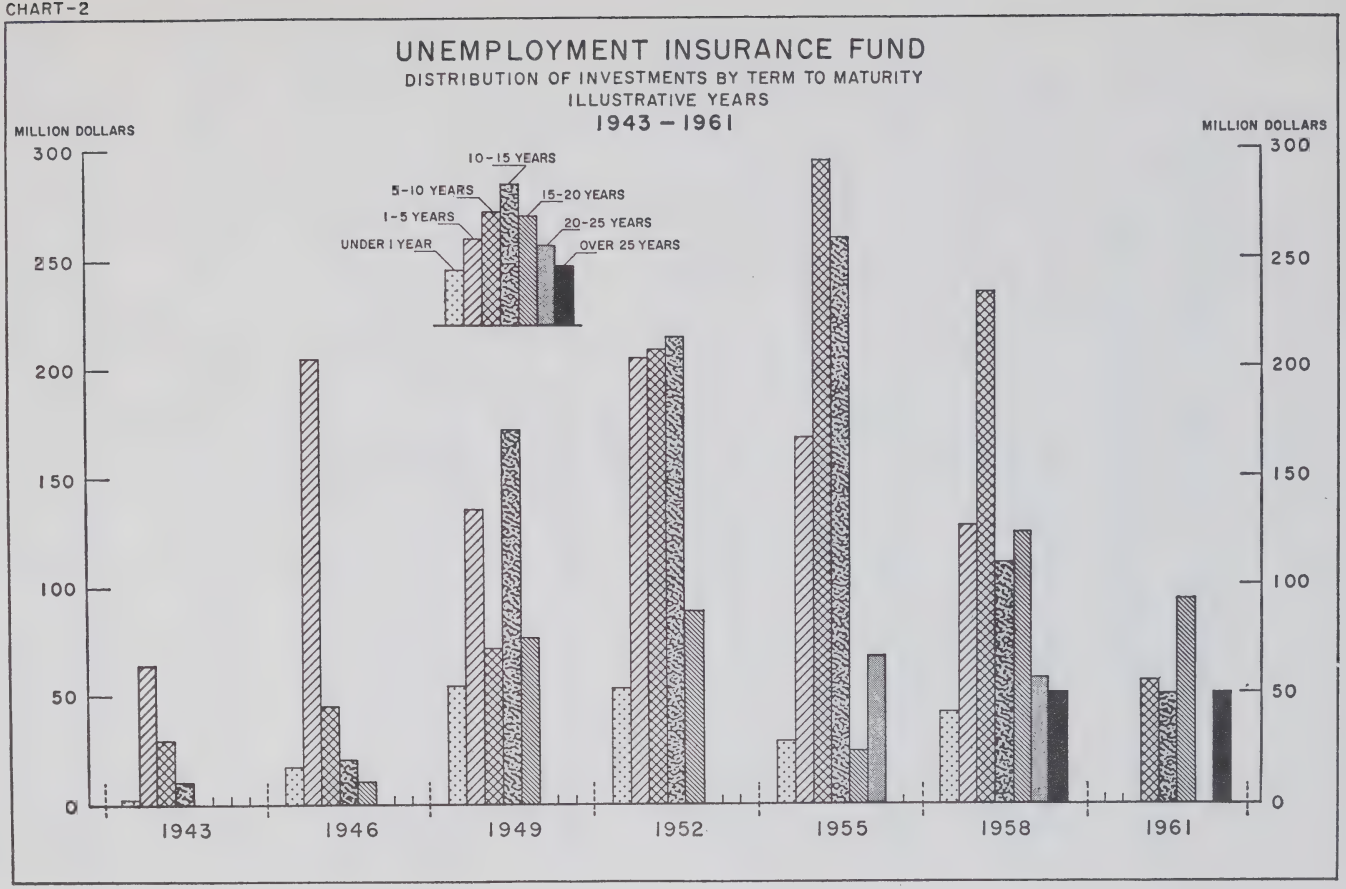
1958
1959
1960
1961

CHART-2


UNEMPLOYMENT INSURANCE FUND
DISTRIBUTION OF INVESTMENTS BY TERM TO MATURITY
ILLUSTRATIVE YEARS
1943 – 1961
MILLION DOLLARS
MILLION DOLLARS
300
250
200
150
100
50
0
10-15 YEARS
5-10 YEARS
15-20 YEARS
1-5 YEARS
20-25 YEARS
UNDER 1 YEAR
OVER 25 YEARS
1943
1946
1949
1952
1955
1958
1961

INTERNATIONAL LABOUR ORGANISATION

CONVENTION (No. 88) CONCERNING THE ORGANISATION OF THE EMPLOYMENT SERVICE

The General Conference of the International Labour Organisation,

Having been convened at San Francisco by the Governing Body of the International Labour Office, and having met in its Thirty-first Session on 17 June 1948, and

Having decided upon the adoption of certain proposals concerning the organisation of the employment service, which is included in the fourth item on the agenda of the session, and

Having determined that these proposals shall take the form of an international Convention,

adopts this ninth day of July of the year one thousand nine hundred and forty-eight the following Convention, which may be cited as the Employment Service Convention, 1948:

Article 1

1. Each Member of the International Labour Organisation for which this Convention is in force shall maintain or ensure the maintenance of a free public employment service.

2. The essential duty of the employment service shall be to ensure, in co-operation where necessary with other public and private bodies concerned, the best possible organisation of the employment market as an integral part of the national programme for the achievement and maintenance of full employment and the development and use of productive resources.

Article 2

The employment service shall consist of a national system of employment offices under the direction of a national authority.

Article 3

1. The system shall comprise a network of local and, where appropriate, regional offices, sufficient in number to serve each geographical area of the country and conveniently located for employers and workers.

2. The organisation of the network shall—

(a) be reviewed—

(i) whenever significant changes occur in the distribution of economic activity and of the working population, and

(ii) whenever the competent authority considers a review desirable to assess the experience gained during a period of experimental operation; and

(b) be revised whenever such review shows revision to be necessary.

Article 4

1. Suitable arrangements shall be made through advisory committees for the co-operation of representatives of employers and workers in the organisation and operation of the employment service and in the development of employment service policy.

2. These arrangements shall provide for one or more national advisory committees and where necessary for regional and local committees.

3. The representatives of employers and workers on these committees shall be appointed in equal numbers after consultation with representative organisations of employers and workers, where such organisations exist.

Article 5

The general policy of the employment service in regard to referral of workers to available employment shall be developed after consultation of representatives of employers and workers through the advisory committees provided for in Article 4.

Article 6

The employment service shall be so organised as to ensure effective recruitment and placement, and for this purpose shall—

(a) assist workers to find suitable employment and assist employers to find suitable workers, and more particularly shall, in accordance with rules framed on a national basis—

(i) register applicants for employment, take note of their occupational qualifications, experience and desires, interview them for employment, evaluate if necessary their physical and vocational capacity, and assist them where

appropriate to obtain vocational guidance or vocational training or retraining,

(ii) obtain from employers precise information on vacancies notified by them to the service and the requirements to be met by the workers whom they are seeking,

(iii) refer to available employment applicants with suitable skills and physical capacity,

(iv) refer applicants and vacancies from one employment office to another, in cases in which the applicants cannot be suitably placed or the vacancies suitably filled by the original office or in which other circumstances warrant such action;

(b) take appropriate measures to—

(i) facilitate occupational mobility with a view to adjusting the supply of labour to employment opportunities in the various occupations,

(ii) facilitate geographical mobility with a view to assisting the movement of workers to areas with suitable employment opportunities,

(iii) facilitate temporary transfers of workers from one area to another as a means of meeting temporary local maladjustments in the supply of or the demand for workers,

(iv) facilitate any movement of workers from one country to another which may have been approved by the governments concerned;

(c) collect and analyse, in co-operation where appropriate with other authorities and with management and trade unions, the fullest available information on the situation of the employment market and its probable evolution, both in the country as a whole and in the different industries, occupations and areas, and make such information available systematically and promptly to the public authorities, the employers' and workers' organisations concerned, and the general public;

(d) co-operate in the administration of unemployment insurance and assistance and of other measures for the relief of the unemployed; and

(e) assist, as necessary, other public and private bodies in social and economic planning calculated to ensure a favourable employment situation.

65799-9—14

Article 7

Measures shall be taken—

(a) to facilitate within the various employment offices specialisation by occupations and by industries, such as agriculture and any other branch of activity in which such specialisation may be useful; and

(b) to meet adequately the needs of particular categories of applicants for employment, such as disabled persons.

Article 8

Special arrangements for juveniles shall be initiated and developed within the framework of the employment and vocational guidance services.

Article 9

1. The staff of the employment service shall be composed of public officials whose status and conditions of service are such that they are independent of changes of government and of improper external influences and, subject to the needs of the service, are assured of stability of employment.

2. Subject to any conditions for recruitment to the public service which may be prescribed by national laws or regulations, the staff of the employment service shall be recruited with sole regard to their qualifications for the performance of their duties.

3. The means of ascertaining such qualifications shall be determined by the competent authority.

4. The staff of the employment service shall be adequately trained for the performance of their duties.

Article 10

The employment service and other public authorities where appropriate shall, in co-operation with employers' and workers' organisations and other interested bodies, take all possible measures to encourage full use of employment service facilities by employers and workers on a voluntary basis.

Article 11

The competent authorities shall take the necessary measures to secure effective co-operation between the public employment service and private employment agencies not conducted with a view to profit.

Article 12

1. In the case of a Member the territory of which includes large areas where, by reason of the sparseness of the population or the stage of development of the area, the competent authority considers it impracticable to enforce the provisions of this Convention, the authority may exempt such areas from the application of this Convention either generally or with such exceptions in respect of particular undertakings or occupations as it thinks fit.

2. Each Member shall indicate in its first annual report upon the application of this Convention submitted under Article 22 of the Constitution of the International Labour Organisation any areas in respect of which it proposes to have recourse to the provisions of the present Article and shall give the reasons for which it proposes to have recourse thereto; no Member shall, after the date of its first annual report, have recourse to the provisions of the present Article except in respect of areas so indicated.

3. Each Member having recourse to the provisions of the present Article shall indicate in subsequent annual reports any areas in respect of which it renounces the right to have recourse to the provisions of the present Article.

Article 13

1. In respect of the territories referred to in Article 35 of the Constitution of the International Labour Organisation as amended by the Constitution of the International Labour Organisation Instrument of Amendment, 1946, other than the territories referred to in paragraphs 4 and 5 of the said Article as so amended, each Member of the Organisation which ratifies this Convention shall communicate to the Director-General of the International Labour Office as soon as possible after ratification a declaration stating—

(a) the territories in respect of which it undertakes that the provisions of the Convention shall be applied without modification;

(b) the territories in respect of which it undertakes that the provisions of the Convention shall be applied subject to modifications, together with details of the said modifications;

(c) the territories in respect of which the Convention is inapplicable and in such cases the grounds on which it is inapplicable;

(d) the territories in respect of which it reserves its decision.

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2. The undertakings referred to in subparagraphs (a) and (b) of paragraph 1 of this Article shall be deemed to be an integral part of the ratification and shall have the force of ratification.

3. Any Member may at any time by a subsequent declaration cancel in whole or in part any reservations made in its original declaration in virtue of subparagraphs (b), (c) or (d) of paragraph 1 of this Article.

4. Any Member may, at any time at which the Convention is subject to denunciation in accordance with the provisions of Article 17, communicate to the Director-General a declaration modifying in any other respect the terms of any former declaration and stating the present position in respect of such territories as it may specify.

Article 14

1. Where the subject matter of this Convention is within the self-governing powers of any non-metropolitan territory, the Member responsible for the international relations of that territory may, in agreement with the government of the territory, communicate to the Director-General of the International Labour Office a declaration accepting on behalf of the territory the obligations of this Convention.

2. A declaration accepting the obligations of this Convention may be communicated to the Director-General of the International Labour Office—

(a) by two or more Members of the Organisation in respect of any territory which is under their joint authority; or

(b) by any international authority responsible for the administration of any territory, in virtue of the Charter of the United Nations or otherwise, in respect of any such territory.

3. Declarations communicated to the Director-General of the International Labour Office in accordance with the preceding paragraphs of this Article shall indicate whether the provisions of the Convention will be applied in the territory concerned without modification or subject to modifications; when the declaration indicates that the provisions of the Convention will be applied subject to modifications, it shall give details of the said modifications.

4. The Member, Members or international authority concerned may at any time by a subsequent declaration renounce in whole or in part the right to have recourse to any modification indicated in any former declaration.

5. The Member, Members or international authority concerned may, at any time at which this Convention is subject to denunciation in accordance with the provisions of Article 17, communicate to the Director-General a declaration modifying in any other respect the terms of any former declaration and stating the present position in respect of the application of the Convention.

Article 15

The formal ratifications of this Convention shall be communicated to the Director-General of the International Labour Office for registration.

Article 16

1. This Convention shall be binding only upon those Members of the International Labour Organisation whose ratifications have been registered with the Director-General.

2. It shall come into force twelve months after the date on which the ratifications of two Members have been registered with the Director-General.

3. Thereafter, this Convention shall come into force for any Member twelve months after the date on which its ratification has been registered.

Article 17

1. A Member which has ratified this Convention may denounce it after the expiration of ten years from the date on which the Convention first comes into force, by an act communicated to the Director-General of the International Labour Office for registration. Such denunciation shall not take effect until one year after the date on which it is registered.

2. Each Member which has ratified this Convention and which does not, within the year following the expiration of the period of ten years mentioned in the preceding paragraph, exercise the right of denunciation provided for in this Article, will be bound for another period of ten years and, thereafter, may denounce this Convention at the expiration of each period of ten years under the terms provided for in this Article.

Article 18

1. The Director-General of the International Labour Office shall notify all Members of the International Labour Organisation of the

registration of all ratifications, declarations and denunciations communicated to him by the Members of the Organisation.

2. When notifying the Members of the Organisation of the registration of the second ratification communicated to him, the Director-General shall draw the attention of the Members of the Organisation to the date upon which the Convention will come into force.

Article 19

The Director-General of the International Labour Office shall communicate to the Secretary-General of the United Nations for registration in accordance with Article 102 of the Charter of the United Nations full particulars of all ratifications, declarations and acts of denunciation registered by him in accordance with the provisions of the preceding articles.

Article 20

At the expiration of each period of ten years after the coming into force of this Convention, the Governing Body of the International Labour Office shall present to the General Conference a report on the working of this Convention and shall consider the desirability of placing on the agenda of the Conference the question of its revision in whole or in part.

Article 21

1. Should the Conference adopt a new Convention revising this Convention in whole or in part, then, unless the new Convention otherwise provides,

(a) the ratification by a Member of the new revising Convention shall *ipso jure* involve the immediate denunciation of this Convention, notwithstanding the provisions of Article 17 above, if and when the new revising Convention shall have come into force;

(b) as from the date when the new revising Convention comes into force this Convention shall cease to be open to ratification by the Members.

2. This Convention shall in any case remain in force in its actual form and content for those Members which have ratified it but have not ratified the revising Convention.

Article 22

The English and French versions of the text of this Convention are equally authoritative.

SEASONAL REGULATIONS

1. Seasonal Regulations in effect October 10, 1953 to October 2, 1955.

12. (1) If in respect of the most recent thirty-six days of employment of a person prior to the commencement day of his benefit year there are ten or more days of seasonal employment, such person shall for the purposes of this section be a seasonal worker. (Subsection (1) amended by P.C. 1178 and by P.C. 5090.)

(2) (a) A seasonal worker whose principal occupation or employment is non-insurable shall be entitled to receive benefit for days on which he is unemployed in any off-season applicable in his case, only if he fulfils all the other conditions of entitlement to benefit and if

(i) he was, for at least thirty per cent of the working days in the previous off-season, employed under a contract of service in excepted employment other than employment by persons connected with him by blood relationship, marriage or adoption, or in insurable employment, or partly in insurable employment and partly in such excepted employment; and

(ii) during the off-season he makes and keeps alive an application at a local office for an employment of a kind suitable in his circumstances and normally available at that period of the year.

(b) A seasonal worker whose principal occupation or employment is insurable, whether in a seasonal occupation or not, shall be entitled to receive benefit for days on which he is unemployed in any off-season applicable in his case, only if he fulfils all the other conditions of entitlement to benefit and the condition mentioned in subparagraph (ii) of paragraph (a). (Subsection (2) amended by P.C. 5090.)

Seasonal Industry Applicable

(3) The seasonal industry applicable in the case of any such seasonal worker shall be determined in accordance with the following rules:

One Seasonal Industry

(a) where the days of seasonal employment included in the aforesaid thirty-six days were in respect of employment in only one seasonal industry, the seasonal industry applicable shall be that industry;

More Than One Seasonal Industry

(b) where the said days of seasonal employment were in respect of employment in more than one seasonal industry, the seasonal industry applicable shall be the particular seasonal industry in which the greatest number of days of such seasonal employment occurs; however, in the event that the number of days of seasonal employment in two or more seasonal industries is equal, the seasonal industry applicable shall be the one thereof in which the most recent day of such seasonal employment occurred. (Subsection (3) amended by P.C. 5090.)

Off-seasons

(4) The off-season for the respective seasonal industries, and the areas in which such off-season are applicable, are the following:

Transportation by Water:
All Canada ..... December 16 to April 14

Stevedoring (Inland Ports):
All Canada ..... December 16 to April 14

Stevedoring (Deep-sea Ports): ..... May 16 to December 14

Lumbering and Logging:
The Provinces of Alberta, Saskatchewan and Manitoba ..... April 16 to October 31
The Provinces of Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland ..... April 1 to September 30

(Subsection (4) amended by P.C. 474.)

Off-season Applicable

(5) The off-season applicable in the case of any such seasonal worker shall be the off-season for the seasonal industry which has been determined to be applicable in accordance with subsection

three, and, within that industry, for the area which has been determined to be applicable in accordance with subsection four; so however that where the said seasonal employment was in respect of employment in more than one such area, the off-season applicable shall be the off-season for the area where the employment resulting in the greatest number of days of seasonal employment took place; and that in the event that the aggregate number of such days of seasonal employment in respect of employment in two or more areas are equal, the off-season applicable shall be the off-season for the area where the employment resulting in the most recent of such days of seasonal employment took place. (Subsection (5) amended by P.C. 3267.)

Definitions

(6) In this section

Seasonal Employment

(a) "seasonal employment" means a person's employment in a seasonal occupation carried on within a seasonal industry. (Paragraph (a) amended by P.C. 5090.)

(b) "seasonal industry" means and includes the following respective industries, which the Commission hereby declares to be seasonal industries;

Transportation by Water

(i) the industry of transportation by water on any of the inland waters of Canada, herein referred to as "transportation by water";

Stevedoring

(ii) the industry of stevedoring in any of the inland or deep-sea ports, herein referred to as "stevedoring";

Lumbering and Logging

(iii) the industry of lumbering and logging in any part of Canada except the Province of British Columbia, herein referred to as "lumbering and logging". (Subparagraph added by P.C. 474.)

Seasonal Occupation

(c) "seasonal occupation" means and includes the occupations mentioned hereunder which are carried on within the respective seasonal industries;

(i) *In Transportation by Water*:—All occupations carried on by members of the crew of a vessel. The expression "members of the crew" includes the master or officer in charge of the vessel, however designated, and every person subject to his authority serving on board and contributing in any way to the welfare of the vessel, the welfare of the passengers or the crew, or care of the cargo.

(ii) *In Stevedoring*:—All occupations directly connected with the loading or unloading of a vessel in port, including the occupations of shipliners, coopers, shedmen, coal handlers, gearmen, winchmen and checkers, and any others ordinarily carried on within reach of the ship's tackle or included in an agreement between employers and employees as stevedoring.

(iii) *In Lumbering and Logging*:—All occupations carried on in the industry of lumbering and logging, including cooks and clerical and other workers directly employed at the scene of woods operations. (Subparagraph added by P.C. 474.)

Inland Waters of Canada

(d) "inland waters of Canada" means all the rivers, lakes and other navigable fresh waters within Canada, including the River St. Lawrence as far seaward as a line drawn from Cap des Rosiers through West Point, Anticosti Island extending to the north shore, but not including any other estuaries, harbours or navigable rivers that are open for navigation all year.

Inland Port

(e) "inland ports" means a port on any of the said inland waters of Canada.

Deep-sea Port

(f) "deep-sea port" means the port of Halifax, Nova Scotia, and the port of Saint John, New Brunswick.

Quarter

(g) "quarter" means one of four parts of the year of approximately equal length as the Commission may from time to time determine, the first of which shall commence on the Sunday nearest to April first.

Lumbering and Logging

(h) "lumbering and logging" means the cutting, skidding, felling, hauling, scaling, banking, driving, running, rafting or booming, and processing at the scene of woods operations, of any logs or timber (including cord wood, cedar posts, telegraph poles, railroad ties, tan bark, pulpwood, shingle bolts and staves). (Paragraph (h) added by P.C. 474.)

Vessel Engaged in Transportation upon Inland Waters

(7) For the purpose of this section a ship or vessel is engaged in the industry of transportation by water upon the inland waters of Canada if its operations or a substantial portion thereof normally consist of voyages upon any of the inland waters of Canada and if it is ordinarily laid up during the winter months by reason of climatic conditions.

2. Seasonal Regulations adopted 1955. (Never put into effect.)

162. (1) Where in respect of the most recent six weeks of employment of a person prior to the commencement of his benefit period there are three or more weeks during each of which he worked in a seasonal occupation within a seasonal industry, such person shall for the purposes of sections 163 and 164 be a seasonal worker.

(2) The seasonal industry applicable for the purpose of these sections shall be that in which the seasonal employment occurs or, where there are more than one such industry, that in which the greatest number of weeks during which such employment occurs or where the number of such weeks is equal, that in which the most recent week of such employment occurs.

Entitlement to Benefit for Off-season

163. A seasonal worker shall be entitled to receive benefit for weeks during which he is unemployed in any off-season applicable in his case, only if he fulfils all the other conditions of entitlement to benefit and at the time he is declared to be a seasonal worker, he proves that, for at least six weeks in the off-season immediately preceding his initial

claim or nine weeks in the two off-seasons immediately preceding his initial claim, he was employed

(a) in insurable employment;

(b) in excepted employment under a contract of service by persons other than those connected with him by blood relationship, marriage or adoption; or

(c) partly in insurable employment and partly in such excepted employment.

164. For the purposes of sections 162 and 163

(a) "seasonal employment" means a person's employment in a seasonal occupation carried on within a seasonal industry;

(b) "seasonal industry" means the following respective industries, which the Commission hereby declares to be seasonal industries;

(i) transportation by water on any of the inland waters of Canada, herein referred to as "transportation by water"; and

(ii) stevedoring in any of the inland ports, herein referred to as "stevedoring";

(c) "off-season" means the period from the week following that in which December 16th falls to that in which April 14th falls;

(d) "seasonal occupation" means the occupations specified hereunder which are carried on within the respective seasonal industries;

(i) in transportation by water, all occupations carried on by members of the crew of a vessel; "members of the crew" includes the master or officer in charge of the vessel, however designated, and every person subject to his authority serving on board and contributing in any way to the welfare of the vessel, the welfare of the passengers or the crew, or care of the cargo;

(ii) in stevedoring, all occupations directly connected with the loading or unloading of a vessel in port, including the occupations of shipliners, coopers, shedmen, coal handlers, gearmen, winchmen and checkers, and any others ordinarily carried on within reach of the ship's tackle or included in an agreement between employers and employees as stevedoring;

(e) "inland waters of Canada" means all the rivers, lakes and other navigable fresh waters within Canada, including the River St. Lawrence as far seaward as a line drawn from Cap des Rosiers through West Point, Anticosti Island extending to the north shore, but not including any other estuaries, harbours or navigable rivers that are open for navigation all year; and for such purpose, a ship or vessel is engaged in the industry of transportation by water upon the inland waters of Canada when its operations or a substantial portion thereof normally consist of voyages upon any of the inland waters of Canada and it is ordinarily laid up during the winter months by reason of climatic conditions; and

(f) "inland port" means a port on any of the inland waters of Canada described in paragraph (e).

164A. Sections 162, 163 and 164 shall come into force on the second day of October, 1956. (Section 164A added by P.C. 1955-1761.)

Appendix V

LIST OF BRIEFS RECEIVED

* 1. All Canada Insurance Federation—Montreal
2. Aquin, Creighton—Montreal
3. Avey, Florence I.—London
4. Canadian Bankers Association, The—Toronto
* 5. Canadian Chamber of Commerce, The—Montreal
* 6. Canadian Construction Association—Ottawa
7. Canadian Federation of Agriculture—Ottawa
8. Canadian Federation of Business & Professional Women's Clubs, The—Ottawa
* 9. Canadian Labour Congress—Ottawa
*10. Canadian Life Insurance Officers Association, The—Toronto
11. Canadian Lumbermen's Association—Ottawa
*12. Canadian Manufacturers Association, The—Toronto
13. Canadian Metal Mining Association—Toronto
*14. Canadian Pulp and Paper Association—Montreal
*15. Canadian Retail Federation, The—Toronto
*16. Communist Party of Canada—Toronto
*17. Confederation of National Trade Unions, The—Montreal
18. Co-ordinating Committee of Unemployed Organizations—Toronto
19. Corporation of the District of Mission, The—Mission City, B.C.
*20. Council of the Forest Industries of British Columbia—Vancouver
21. Crafter, R.—Comox, B.C.
22. Culver, D. F.—Vancouver
23. Derock, R.—Sudbury
24. Edmonton Chamber of Commerce
25. Fairclow, J.—Sudbury
*26. Fisheries Council of Canada—Ottawa
27. Government of Saskatchewan—Regina
28. International Brotherhood of Electrical Workers, Local Union 213—Vancouver

* Brief presented at public hearings.

*29. International Railway Brotherhoods, The National Legislative Committee—Ottawa

*30. Josie, Svanhuit (Mrs. G. H.)—Ottawa

31. Lacelle, A.—Sudbury

32. Linde, Kathey A.—Williams Lake, B.C.

33. Lorenza, M. G.—Port aux Quilles, P.Q.

34. Mahaffy, N.S.—Oshawa

35. McKay, A.—Windsor

*36. National Council of Women of Canada—Ottawa

37. National Farmers Union—Saskatoon

*38. National Union of Public Employees—Ottawa

39. New Brunswick Forest Products Association—Fredericton

40. Newfoundland Federation of Fishermen—St. John's

41. Newfoundland Fish Trades Association and Frozen Fish Trades Association—St. John's

42. Office Overload Co. Ltd.—Toronto

*43. Retail Merchants Association of Canada, Inc., The—Toronto

44. Saint John Board of Trade—Saint John

45. Saskatchewan School Trustees Association, The—Regina

46. Sécurité sociale laurentienne—Montreal

47. Unemployment Insurance Commission, Local Employment Committee—Saint John

*48. United Electrical, Radio and Machine Workers of America—Toronto

*49. United Fishermen and Allied Workers' Union—Vancouver

50. Vancouver Board of Trade—Vancouver

51. White, Violet M.—Halifax

* Brief presented at public hearings.

Appendix VI

Special Studies Prepared at the Request of the Committee of Inquiry

1. The Role of the National Employment Service

   Professor G. Beausoleil
   Professor M. Bouchard

2. The Relationship between Unemployment Insurance and Canada's Other Income Maintenance Programs

   Dr. George M. Hougham